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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 270 **October, 1982**

Business in Virginia September, 1982, Data

Business in September in Virginia did not do as well as it did in August. A broad measure of performance is the indicator known as bank debits to demand deposits. These thus are checking account transactions from all over the state and in every kind of business from the retailer to the raw materials sellers and buyers. On a dollar volume basis almost 85 percent of all business transactions are done by check. Hence, the importance of this indicator.

In September these checking account transactions were up only 15.7 percent above that of a year ago. When August was compared with August of last year, its bank debits rose 21.0 percent. Thus, the slowness that developed.

Most of it was that consumers just did not spend very much money. Prior thinking said the back-to-school sales would rise and this would help improve the economy. But such did not develop. The merchants had hoped so, as newspaper advertising linage rose 4.3 September of this year over last whereas the previous month of August showed a bad 2.0 percent decrease. September's retail sales, on a year-ago basis rose only 2.0 percent. The inflation rate on the same basis is running just under 6.0 percent. If this is removed from retail sales so that you get down to the "real sales," you are looking at about a minus 4.0 percent change in sales. If one is expecting the consumer to lead us out of the recession, one could surmise that little leading was done. There are, however, other factors, as the back page article indicates.

On the bright side of the ledger was the change in the value of building permits. In comparing September this year with that of last, permits rose 40.3 percent. This is the greatest so far this year. There is this about permits, however, they are terribly volatile. For example, in May they were down nearly 39 percent, in June up 7.1 percent, in July up 34 percent, and in August down 2.4 percent. If only they would just get up and stay, it would be most helpful.

Electricity consumed performed fairly well on course. It was up 2.8 percent over last September. On a year-to-date basis it is running at an increase of 1.5 percent. Thus, September was a little higher than usual. There is a lot of seasonality in the consumption of electricity. Summer and airconditioning now bring the greatest demand, but December with all of its festivities is not far behind.

Still on the bad side of the ledger are new-car registrations. They were down again and this time by 13.6 percent. So far this year they have been up only one month and that was June when they rose a poverty stricken 0.1 percent. Apparently, this fall the inventories of the 1982 models and the new 1983 cars are getting tangled up with each other and business is just not moving too well.

As this Report goes to press, the nonagricultural employment data for September are not yet reported by the Virginia Department of Labor and Industry. On the basis of January through August the increase has been 0.2 percent, which is not all that much. Some months have even been slightly negative. This is the job market and it needs some help.

Water consumption was down 0.3 percent and postal receipts up 14.6 percent in September.

(Continued on the back page)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change September, 1982 from September, 1981

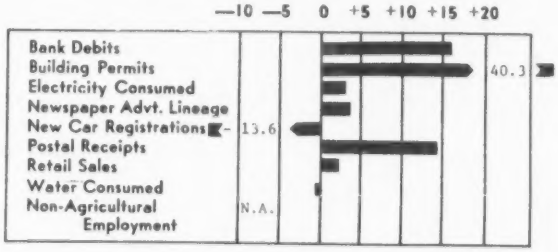
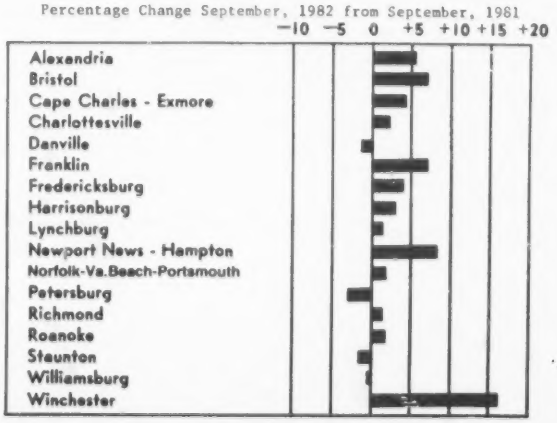


Chart II

City Indices

Percentage Change September, 1982 from September, 1981



SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I September 1982

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS PAPER ADV LINAGE	NEW CAR REGIS TRATIONS	NON AGRI CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		249.6	149.3	112.4	105.5	90.8	N.A.	94.0	135.7	176.0
Alexandria	202.2	620.5	150.6	118.2	N.A.	107.1	N.A.	107.7	154.0	N.A.
Bristol	118.0	184.2	53.0	81.5	83.7	75.1	N.A.	72.5	124.1	192.6
Cape Charles - Exmore	118.0	140.1	109.5	116.5	N.A.	76.6	N.A.	N.A.	114.7	148.9
Charlottesville	162.0	216.5	32.1	107.3	N.A.	110.2	N.A.	121.4	190.2	169.9
Danville	116.3	N.A.	46.6	106.3	97.0	62.2	N.A.	84.8	144.1	147.6
Franklin	115.0	N.A.	82.0	94.3	110.2	83.6	N.A.	121.5	120.9	147.8
Fredericksburg	132.6	145.4	48.9	N.A.	123.8	104.4	N.A.	77.3	148.5	164.7
Harrisonburg	139.7	168.0	31.0	N.A.	134.8	88.7	N.A.	118.8	132.7	209.4
Lynchburg	163.8	354.5	170.8	104.5	N.A.	69.9	N.A.	121.7	117.7	306.5
Newport News - Hampton	116.3	173.0	110.9	104.5	97.5	77.3	N.A.	111.3	122.3	N.A.
Norfolk - Va. Beach - Portsmouth	106.1	101.3	163.8	122.7	105.3	85.8	N.A.	75.7	119.3	N.A.
Petersburg	104.6	91.7	292.6	N.A.	78.0	72.1	N.A.	84.2	127.7	127.8
Richmond	135.1	282.4	N.A.	116.9	100.7	82.6	N.A.	100.4	124.7	158.2
Roanoke	127.6	200.8	67.3	88.5	117.4	67.4	N.A.	97.5	139.3	159.0
Staunton	134.4	96.1	24.6	N.A.	N.A.	88.6	N.A.	N.A.	100.9	318.7
Williamsburg	146.9	146.9	235.7	140.8	N.A.	122.0	N.A.	101.5	127.6	281.1
Winchester	140.9	273.3	432.6	109.9	150.8	95.3	N.A.	103.6	123.8	163.6

TABLE II September 1982

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS PAPER ADV LINAGE	NEW CAR REGIS TRATIONS	NON AGRI CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Aug. RETAIL SALES ‡
The State		15.7	40.3	2.8	4.3	-13.6	N.A.	-0.3	2.0	9.0
Alexandria	5.5	39.1	-45.4	2.5	N.A.	-16.6	N.A.	20.1	-2.2	8.4
Bristol	6.3	18.0	21.0	1.0	9.0	-24.9	N.A.	-4.7	17.2	5.2
Cape Charles - Exmore	4.8	0.2	34.7	7.5	N.A.	-3.1	N.A.	N.A.	8.0	0.7
Charlottesville	2.3	-2.4	-64.8	1.0	N.A.	-1.5	N.A.	9.5	3.2	-7.3
Danville	-1.7	N.A.	-88.0	0.1	9.2	-15.6	N.A.	-1.9	-1.3	-1.6
Franklin	7.3	N.A.	46.0	5.2	2.9	-3.8	N.A.	18.3	9.5	15.4
Fredericksburg	4.2	25.4	-42.7	N.A.	-2.7	-7.7	N.A.	-26.9	13.8	-10.2
Harrisonburg	3.3	7.8	-81.5	N.A.	2.5	6.5	N.A.	6.9	-0.1	4.5
Lynchburg	0.9	18.1	-59.3	0.2	N.A.	-22.0	N.A.	-8.0	6.0	-2.7
Newport News - Hampton	8.1	52.4	10.3	1.9	2.9	-18.5	N.A.	-1.5	9.2	7.8
Norfolk - Va. Beach - Portsmouth	2.0	17.4	96.3	3.4	1.2	-16.3	N.A.	6.7	1.1	5.7
Petersburg	-2.7	-33.7	-7.7	N.A.	-1.3	20.2	N.A.	-20.0	5.3	0.7
Richmond	0.9	13.8	16.4	5.4	0.5	-9.0	N.A.	-8.1	1.6	-1.0
Roanoke	1.5	-2.9	225.2	1.4	4.9	-10.2	N.A.	6.1	4.1	-4.6
Staunton	-1.1	-1.9	-52.9	N.A.	2.2	-0.4	N.A.	N.A.	-2.2	-2.4
Williamsburg	-0.1	-25.6	525.7	-0.6	N.A.	30.9	N.A.	-9.4	1.2	-8.2
Winchester	15.7	88.3	252.0	6.0	44.5	-12.5	N.A.	-7.7	2.2	1.0

TABLE III

Percentage Change January - September from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS PAPER ADV LINAGE	NEW CAR REGIS TRATIONS	NON AGRI CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Aug. RETAIL SALES
The State		22.7	-2.2	1.5	-1.8	-17.4	N.A.	2.8	3.3	4.2
Alexandria	6.1	45.9	-49.8	4.6	N.A.	-17.1	N.A.	1.7	2.7	6.2
Bristol	-1.7	7.3	2.3	-2.8	0.0	-25.6	N.A.	-11.1	6.3	5.9
Cape Charles - Exmore	-1.3	6.7	-57.9	0.8	N.A.	-20.9	N.A.	N.A.	1.9	-7.7
Charlottesville	4.3	10.7	5.5	2.2	N.A.	-13.4	N.A.	6.8	8.0	8.0
Danville	3.3	N.A.	3.9	-7.2	-2.7	-30.9	N.A.	-9.2	24.3	1.3
Franklin	-0.4	N.A.	-26.2	0.4	-1.7	-9.7	N.A.	11.9	-1.3	-4.1
Fredericksburg	-2.2	16.3	-54.9	N.A.	-7.3	-11.7	N.A.	-15.4	1.0	2.2
Harrisonburg	-3.4	0.1	-69.3	N.A.	-0.1	-27.0	N.A.	2.5	0.2	6.5
Lynchburg	-2.6	18.7	-11.5	-1.3	N.A.	-22.7	N.A.	-12.8	0.0	-1.7
Newport News - Hampton	5.3	42.7	-20.3	0.9	-1.9	-20.8	N.A.	1.7	6.6	6.9
Norfolk - Va. Beach - Portsmouth	4.7	27.7	38.1	2.1	-3.6	-16.9	N.A.	21.3	2.2	3.7
Petersburg	-4.8	-4.2	-55.5	N.A.	-8.4	-20.9	N.A.	-5.1	1.6	3.0
Richmond	0.8	20.1	-43.9	1.9	-5.1	-13.7	N.A.	-2.7	1.9	3.0
Roanoke	1.6	15.6	-19.4	-3.1	2.7	-20.3	N.A.	1.9	5.4	3.2
Staunton	-3.0	-10.6	33.4	N.A.	-0.5	-20.1	N.A.	N.A.	4.4	0.2
Williamsburg	-2.2	12.9	25.0	3.3	N.A.	-8.4	N.A.	-8.8	-4.9	-0.4
Winchester	8.2	67.8	-28.0	1.5	13.6	-20.5	N.A.	-1.1	1.3	-1.3

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

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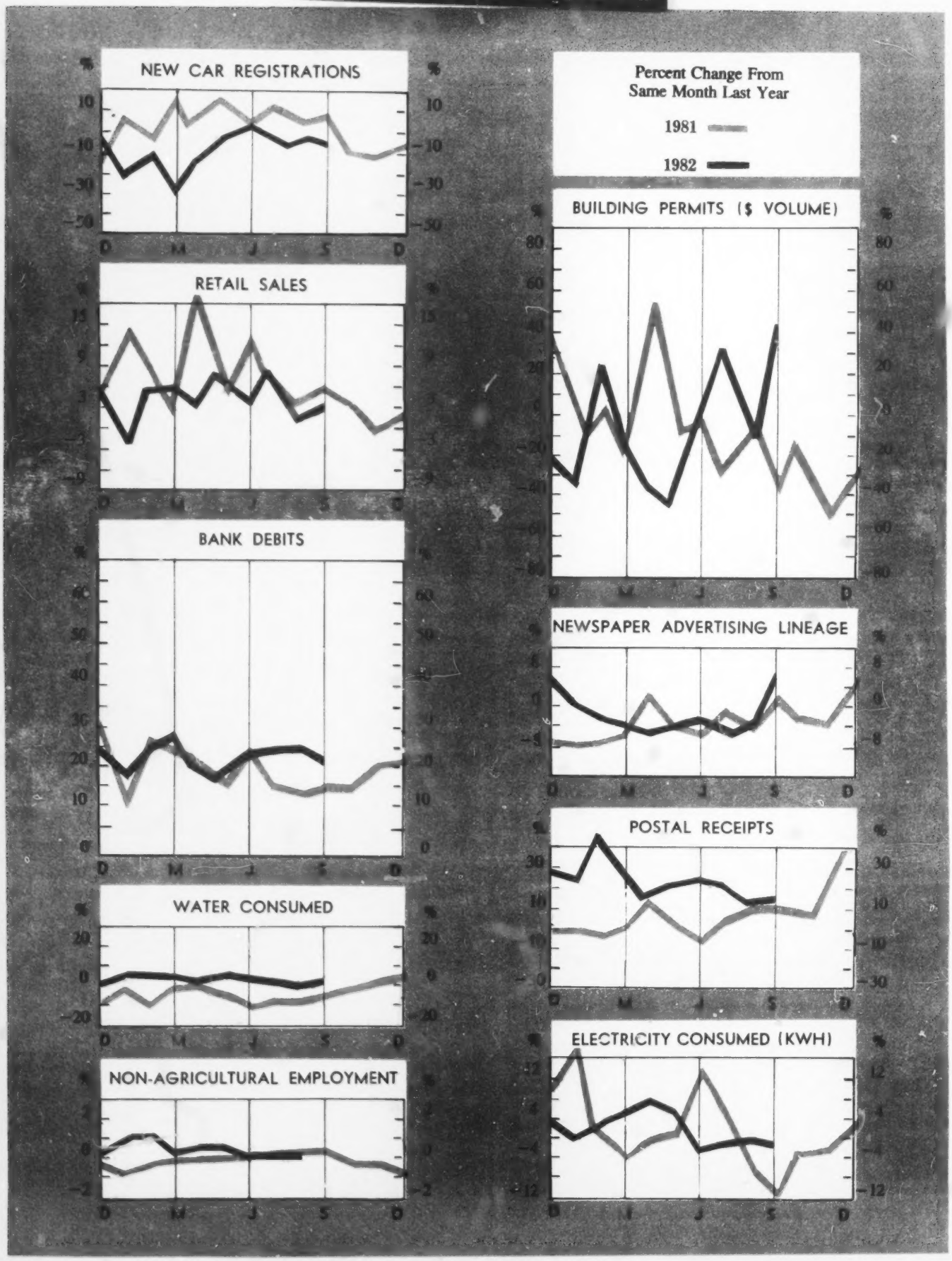

Gloom or Bloom?

The question on the minds of so many businessmen and economists is this: Where is the U.S. economy? Are we still in a recession or has the turning point been reached? If it has, then we should now be in the beginnings of the expansion (recovery) phase of the business cycle.

Since we are as close to current events as we always are, it is more than monumentally difficult to determine the turns either up or down as they are happening. We need more data and some historical perspective, which is also known as 20/20 hindsight.

In 1974 when the nation was in one of the worst and longest recessions since World War II, the then Chairman of the Federal Reserve Board, Dr. Arthur Burns, who was and is one of the ablest analysts of cycles, declared in a hearing before Congress in August of that year that we were not in a recession. The dates on that recession turned out to be from November, 1973, to March, 1975. If one of the great students of business cycles was not aware of this turn of events, how are we lesser mortals to know?

To avoid a lot of the guesswork, analysts everywhere allow the National Bureau of Economic Research to be the arbiter of business cycle dates. It is a nonprofit, privately funded research organization of impeccable credentials located in Cambridge, MA. Its origins date back to the 1920s and it has done more business cycle research than any other organization in the U. S. Ironically, Dr. Burns was head of NBER not so many years ago.

In setting dates the Bureau uses four principal criteria, according to Dr. Geoffrey H. Moore, who for years was the director of research. In his words, "A recession is a recurring period of decline in total output, income, employment, and trade, usually lasting six months to a year and marked by widespread contractions in many sectors of the economy." This can, of course, go on for more than a year (witness the 1973-75 downturn) and it must be widespread geographically as well as throughout numerous kinds of businesses. This takes in-depth research and time enough to get all of the revised and reliable figures together.

Since 1975 the only recession that the Bureau has dated is January-July, 1980. In the discussions of the most recent downturn the date generally assigned is July of 1981. This is not official. Nor is an "old rule of thumb" that says a recession begins when gross national product adjusted for inflation (real GNP) becomes negative for two successive quarters. As Dr. Moore and others are quick to point out, the Bureau has never used this yardstick. It is true, however, that in all of the NBER dates two or more successive quarters of real GNP have been negative, except 1980. Most recently, the last quarter of 1981 and the first quarter of 1982 were both negative. The second quarter of this year came in at a plus 2.1 percent and the third just in at a plus 0.8 percent.

Does this mean that the recession is now over? Not necessarily, even by a "rule of the thumb." None of the data shows strength enough. Third quarter GNP could get revised downward. It will take some time to assess but there is hope now in the air. Some brightness had occurred in the second quarter, but then retail sales turned sour in August as did industrial production, new orders for durable goods, average weekly hours for manufacturing, and especially average weekly initial claims for state unemployment insurance. So far September figures have been more reassuring. This is part of the unevenness and backing and filling.

There are those who want to see doom and gloom apparently, for they are looking at unemployment, investment in new tools, plants and expansions, utilization of industrial capacity, and business failures. Most of these, though, are lagging economic indicators and will not turn up until after recovery begins. They are not leaders but followers. One cannot look to them for the future.

Even so some of this has led analysts such as Lester Thorow of MIT and Sam Nakagama of Kidder Peabody to declare the recession is not only on but also that there will be no turning toward recovery until sometime in 1983.

Eventually consumers will turn on the economy. Consumption spending constitutes about 65 percent of GNP. If consumers start buying, the whole chain from retail sales, to inventories, to production, to raw materials will respond favorably. But at the moment consumer sentiment seems sour. Buyers have the money to spend, but they are reluctant, as many are looking at unemployment and playing a "waiting" game. Yet, there is hope as personal consumption expenditures in GNP have turned up for the last three quarters. What will improve this? Possibly a number of brighter things that are going on even amid some gloom.

One of them, for example, is the stock market. It is generally four to six months ahead of current events. One cannot help but wonder what Wall Street sees in all of its cheer that the rest of the country is not seeing. The summer rally and now this one in the fall could turn a lot of spirits around. The ebullience in part rests on the continuing decline in interest rates which the recession produced. Of more importance has been the Federal Reserve System, which in effect has said it will not fight the decline in interest rates and it will increase the money supply so as to fire the recovery but will not do so for the long run so as to rekindle inflation. With this the stock market boomed in October.

Chances are good that with as much slack as there is in the economy (productive capacity and employment) no damage will be done by increasing the money supply. Inflation is now just above five percent for the year to date and it now looks as if the entire year will come in at about a 5.5 percent average. Even as one can get priced out of the market by high rates of inflation, so also one can get priced back into the market by low rates of inflation.

All of these—stock market joy, falling interest rates, slowing inflation—are conducive to upturns in consumer sentiment. This is not to say it will be euphoric. The recovery will be slow. There will be some falling back (August for example) and some moving forward (September). Like the course of true love, no recovery runs smoothly. There are signs in some areas of an outbreak, because of pent up demand. Economist Alan Greenspan has suggested that some further "cuts in mortgage rates could stoke the nation's homebuilding market enough to trigger a full-scale economic recovery." Look too at the terribly low scrappage rate for autos. There are all kinds of possibilities and needs.

If so, "Reaganomics" many not be "Rag-onomics." You may want to stay the course. The critics, though, would admonish you with an "Oh, yeah: keep the landing lights on. Amelia Earhart is coming back soon." LET

Prepared by the Bureau of Business Research
THE COLLEGE OF WILLIAM AND MARY
School of Business Administration
Charles L. Quittmeyer, *Dean*
Thomas A. Graves, Jr., *President*
Bureau of Business Research
Leland E. Traywick, *Director*

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 271 **November, 1982**

Business in Virginia October, 1982, Data

Virginia's economy very much like that of the nation continues to be in the recession. It looked for a while as if both the U.S. and the Commonwealth were turning out of the bad times and into the good. Gross national product had been increasing, interest rates were falling, inflation was slowing, the stock market climbed, leading indicators rose, etc. In Virginia the total dollar volume of business (bank debits to demand deposits) took a turn for the better along with building permits and an easing of auto sales losses.

More recently, however, the revised national figures show no growth in GNP for the third quarter of this year and now for Virginia the bank debits (checking transactions) are showing a rise of only 11.0 percent over October of last year. During June through August they had been increasing at about a 21 percent average over the same period of a year ago. But in September the rate declined to a 15.7 percent mark and now it is worse at the 11.0 percent rise.

Since the economy of the Old Dominion generally lags the upturns in the nation, the immediate outlook for the state is not all that good. This means that the private sector is being affected as well as revenues for the public sector. What may turn the national economy around and hence that of the Commonwealth are actions on the part of the Federal Reserve System. Do not look to the lame duck Congress to do much in the way to help or decision making. They are only in a holding pattern. Even the new Congress does not look too helpful either as they may be locked into serious conflict with the Administration (see the back page).

The Fed, however, can lower interest rates and can increase the money supply for the short term. (Long run bulges in money will only bring back inflation.) Shorter rises in money can provide the necessary financing for both consumers and producers, especially if interest rates will continue to fall. Their increase would only postpone the recovery that much more.

Other Virginia indicators are the dollar value of building permits. They rose 27.4 percent this October over last. As this is a leading economic indicator for the construction business, it is a good omen and confirms some good increases in July and September (August faltered a little with a decline of 2.4 percent). The good news is shared nationally and is apparently in response to decline in both mortgage rates and home prices.

New car registrations were off only 2.5 percent this October as compared with a year earlier. Although still negative, at least they were not down the 17.4 percent average of the first nine months of this year.

Retail sales did improve some. They rose 5.0 percent which is about the same as the year-ago increase in the rate of inflation. In other words, they held their own.

Electricity consumed was up 3.6 percent, but newspaper advertising linage was off 2.8 percent with an almost 2.0 percent decline for year-to-date. Water consumption continued at a conservative rate of minus 0.5 percent in October and postal receipts rose a resounding 23.5 percent. Employment data for Virginia are not available as we go to press, but last month were a minus 0.3 percent which was not good for the job market.

(Continued on the back page)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change October, 1982 from October, 1981

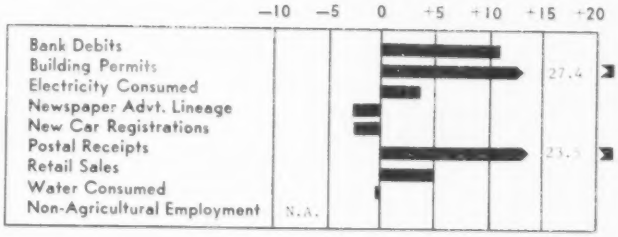
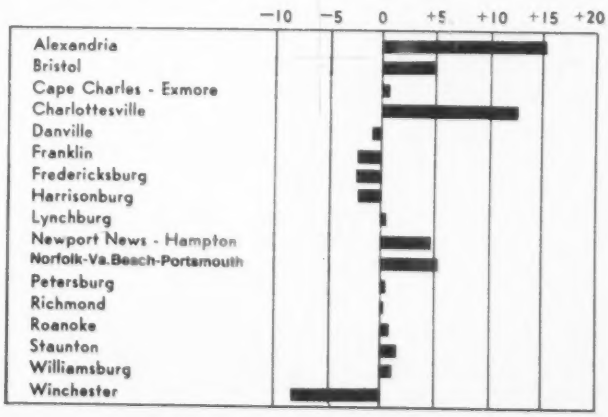


Chart II

City Indices

Percentage Change October, 1982 from October, 1981



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Alexandria	204.5	727.4	70.1	102.1	N.A.	82.0	N.A.	101.1	139.7	N.A.
Bristol	100.9	491.6	28.8	76.9	84.0	52.9	N.A.	66.0	79.0	200.0
Cape Charles - Exmore	112.7	138.2	199.8	98.1	N.A.	56.5	N.A.	N.A.	112.4	159.2
Charlottesville	163.4	215.0	557.5	99.2	N.A.	85.9	N.A.	114.1	203.1	183.9
Danville	116.7	N.A.	37.7	103.9	93.4	55.2	N.A.	91.0	142.0	164.3
Franklin	109.9	N.A.	52.8	90.8	116.6	62.3	N.A.	114.1	112.7	157.4
Fredericksburg	139.7	137.7	238.5	N.A.	120.4	92.0	N.A.	71.7	171.9	180.3
Harrisonburg	139.7	166.8	63.5	N.A.	127.8	46.2	N.A.	125.5	148.4	206.2
Lynchburg	180.3	352.1	67.9	96.1	N.A.	50.1	N.A.	114.9	151.2	375.3
Newport News - Hampton	175.4	165.4	103.2	89.7	103.9	54.4	N.A.	103.7	295.4	N.A.
Norfolk - Va. Beach - Portsmouth	197.2	106.1	148.2	103.0	113.6	63.7	N.A.	71.3	373.3	N.A.
Petersburg	104.7	104.9	5.7	N.A.	76.5	47.0	N.A.	97.9	122.9	142.9
Richmond	127.6	269.6	N.A.	100.4	104.9	59.3	N.A.	95.1	116.8	169.1
Roanoke	129.0	197.6	43.2	81.7	123.1	53.0	N.A.	96.3	142.3	182.8
Staunton	113.8	99.0	445.5	N.A.	N.A.	57.6	N.A.	N.A.	111.3	192.5
Williamsburg	130.6	142.3	128.0	126.9	N.A.	65.3	N.A.	99.4	140.0	190.7
Winchester	134.3	279.0	77.7	100.0	88.0	75.1	N.A.	109.5	118.7	201.1

TABLE II October, 1982

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Sept. RETAIL SALES ‡
The State		11.0	27.4	3.6	-2.8	-2.5	N.A.	-0.5	5.0	1.9
Alexandria	15.1	40.5	-63.1	5.9	N.A.	2.7	N.A.	11.2	15.1	1.2
Bristol	5.0	21.2	0.0	-2.1	8.6	-23.7	N.A.	-17.4	17.8	6.9
Cape Charles - Exmore	0.7	3.3	-16.4	7.2	N.A.	4.5	N.A.	N.A.	-3.7	12.7
Charlottesville	12.5	18.3	522.8	31.4	N.A.	20.8	N.A.	2.3	4.8	3.5
Danville	-0.7	N.A.	-46.6	-0.7	-6.8	12.9	N.A.	-4.8	-1.9	-1.6
Franklin	-2.2	N.A.	49.1	-2.1	-1.5	2.7	N.A.	12.9	-9.2	5.1
Fredericksburg	-2.3	14.6	71.5	N.A.	-19.0	-1.3	N.A.	-32.1	7.3	0.2
Harrisonburg	-2.0	6.8	-18.2	N.A.	-4.9	-17.3	N.A.	4.4	-0.9	1.5
Lynchburg	0.4	11.8	-8.4	1.0	N.A.	-23.9	N.A.	0.6	4.5	-4.6
Newport News - Hampton	4.6	12.3	-14.8	4.4	-0.5	-5.5	N.A.	1.0	8.4	5.4
Norfolk - Va. Beach - Portsmouth	5.2	17.9	68.5	2.2	1.6	-7.3	N.A.	8.0	8.4	7.9
Petersburg	0.4	-10.3	-96.1	N.A.	3.4	12.2	N.A.	-0.2	-0.8	2.4
Richmond	0.2	6.1	22.0	2.0	-1.8	-8.9	N.A.	-4.4	2.9	4.0
Roanoke	0.9	4.0	68.0	2.1	1.2	-5.3	N.A.	6.3	-0.5	-2.4
Staunton	1.8	8.2	5.6	N.A.	0.5	-6.6	N.A.	N.A.	2.9	14.6
Williamsburg	1.2	3.9	148.0	2.1	N.A.	16.7	N.A.	-7.0	-2.4	-8.0
Winchester	-8.2	5.0	-22.1	-4.4	-38.3	17.6	N.A.	-12.7	-10.9	-6.6

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.

N.A. — Not Available
O.O. — No Change

TABLE III

Percentage Change January - October from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Sept. RETAIL SALES
The State		21.5	0.4	1.7	-1.9	-16.3	N.A.	2.4	3.5	3.9
Alexandria	7.0	45.2	-50.7	4.5	N.A.	-15.6	N.A.	2.7	4.0	5.6
Bristol	-1.1	8.6	2.2	-2.7	0.8	-25.4	N.A.	-11.8	7.3	6.1
Cape Charles - Exmore	-1.1	6.4	-55.0	1.4	N.A.	-18.8	N.A.	N.A.	1.4	-5.6
Charlottesville	4.9	11.4	37.5	4.3	N.A.	-10.9	N.A.	6.4	7.6	7.4
Danville	2.5	N.A.	1.3	-6.6	-3.1	-28.2	N.A.	-8.8	21.3	1.0
Franklin	-0.7	N.A.	-22.0	0.1	-1.6	-8.8	N.A.	12.0	-2.1	-3.2
Fredericksburg	-2.2	16.1	-44.9	N.A.	-8.7	-10.8	N.A.	-17.2	1.7	1.9
Harrisonburg	-3.3	0.8	-67.4	N.A.	-0.6	-26.4	N.A.	2.7	0.1	5.9
Lynchburg	-2.3	18.0	-11.4	-1.1	N.A.	-22.8	N.A.	-11.5	0.5	-2.0
Newport News - Hampton	5.1	38.8	-19.9	1.2	-1.0	-19.7	N.A.	1.7	6.8	6.7
Norfolk - Va. Beach - Portsmouth	4.7	27.0	39.2	2.1	-3.0	-16.1	N.A.	19.1	2.9	4.2
Petersburg	-4.4	-4.8	-60.3	N.A.	-7.2	-18.6	N.A.	-4.6	1.4	3.0
Richmond	0.7	18.6	-38.3	2.0	-4.7	-13.3	N.A.	-2.9	2.0	3.1
Roanoke	1.5	14.4	-14.8	-2.6	2.6	-19.1	N.A.	2.3	4.7	2.5
Staunton	-2.6	-8.9	22.0	N.A.	-0.4	-19.0	N.A.	N.A.	4.3	1.8
Williamsburg	-2.0	12.1	35.1	3.2	N.A.	-6.7	N.A.	-8.6	-4.6	-1.4
Winchester	5.5	57.1	-27.5	0.9	6.9	-18.0	N.A.	-2.4	-0.1	-2.0

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.

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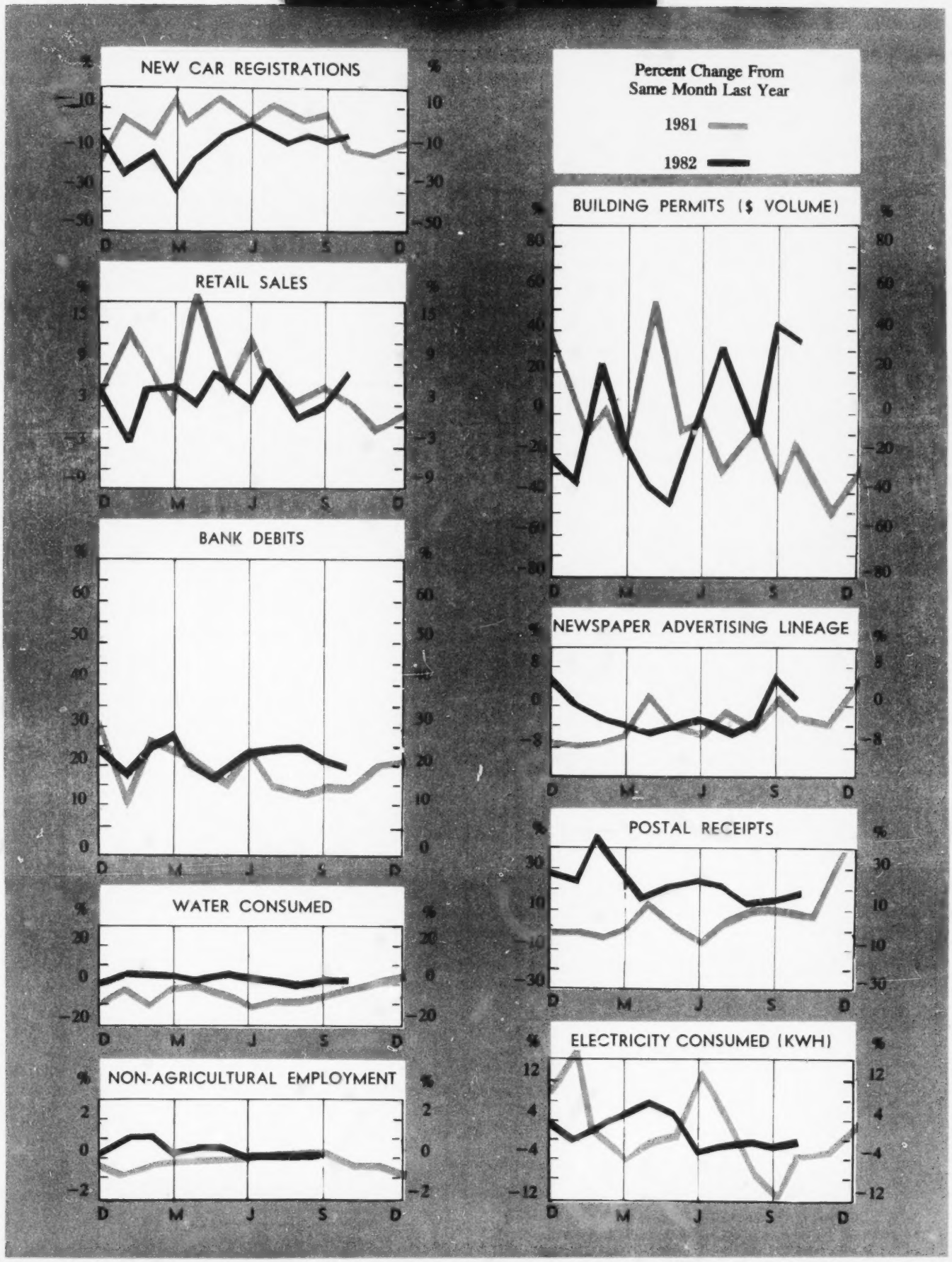

Reagan and Post Election Economics

Not too long after the November elections syndicated columnist David Broder brought to light what he and other political analysts saw as a message that the American people were sending to President Reagan. It was not one of repudiation but of a course correction: reduce the federal deficit, shorten the recession, slow defense spending, stretch out the tax cut, and stop the reductions in life-time supports.

Politically this seemed to be true. Although the Republicans did keep control of the Senate, they lost only 26 seats in the House rather than 35 or so they feared and the Democrats hoped for. This would have been a repudiation of the President's policies. Some losses were to be expected in the lower chamber, as this has happened consistently during this century with the one exception of 1934. The question is almost always the degree to which House seat losses will occur for the party in power. Since it was on the moderate side this time, Broder and others saw the results as a "course correction" rather than a repudiation.

If this be so, did President Reagan get the message? Being the politician he is, he surely understands he will not be able to put together his coalition of conservative Democrats and liberal or semiliberal Republicans from the north. He had enough trouble in the last Congress. Look at how his desires for spending cuts did not come in at some $55 billion or so, but were trimmed to $32 billion. Note also how his tax cut plan was diverted from January, 1981, to October, 1982, and then reduced to a pittance of 5 percent. If he could not get what he wanted through that Congress, how can he expect to get too much through this one which will not "stay the course" but "correct the course"?

The President, however, does not seem to have gotten the message. On November 19th the N.Y. Times News Service in a copyrighted article pointed out that "President Reagan has tentatively decided to seek $25 billion to $30 billion in domestic spending cuts in next year's budget." The article continues, "While the administration's initial bargaining position on domestic spending has now been staked out, difficult choices in the areas of defense spending and revenue increases remain to be settled in the next month." Yet, the "economizing drive on social spending cuts is the key part of Reagan's strategy."

It is interesting, however, that "both Democrat and Republican leaders in the Congress already have cautioned the administration that earlier social spending cuts of roughly $30 billion in each of the past two years leave little more to be wrung politically from that area."

The President's course seems clear. He will not balance the budget and he will continue to cut social programs so as to provide some money for his defense program which calls for increases of some $1600 billion dollars over five years. The hard line on reductions in social spending include politically sensitive areas: Social Security, federal pensions, veterans benefits, plus welfare and Medicaid to the poor.

The great need in defense has probably been as well expressed by the Allied Supreme Commander of NATO, General Bernard W. Rogers, as anywhere: "The Communist Warsaw Pact countries hold more than a 2-to-1 edge over us in both nuclear and conventional forces and the gap is widening." In his address to the NATO Parliament he asked on November 19th, "How long can we permit it to develop before it does truly become unmanageable and we feel political and economic pressure, coercion and blackmail from the East which we are unable to resist?" And "this power may permit the Soviet Union to achieve its long term goal of domination of Western Europe without having to fire a shot."

The nuclear aspects of the unbalance, however, do not seem to be the problem. According to the military experts, the nuclear-firepower capability of U.S. submarines is such that Russia could be wiped off the face of the earth by them alone. If this be the case, then a nuclear freeze is not so ridiculous as it might appear on the surface. Furthermore, it may be what General Rogers had in mind when he called in that same speech not for nuclear increases but for "conventional-weapons spending increases of four percent per year."

Yet, even if there were a nuclear freeze, this will not balance the budget. The most expensive part of military spending by far is not the nuclear but the conventional weapons and the ground and air forces to man them. Nor can cuts in welfare spending pay for the conventionals.

What then will be the result of President Reagan's efforts with the new Congress? Chances are very good he will not get nearly what he wants and even a little less than what he got out of the first Congress. How can the economy that is so badly recessed ever be productive enough to afford the President's program? Look at the slack even at the present time: 10.4 percent unemployment and likely to go higher plus 31.6 percent unemployment in industrial capacity.

There may, though, be some help from the Federal Reserve System in turning the economy around. Ever since October, 1979, the Fed has been slowing the increases in the money supply. This has brought down the rate of inflation from highs of 18 plus percent in early 1980 to a nine month average so far this year of 4.6 percent. It should be pointed out, however, that prices are still going up; it is only their rate of increase that has slowed. Therefore, they are still too high to bring buyers back into the market. But if the Fed continues this policy, it may convince buyers to come back, as they may feel a price plateau has been reached.

Where the economy can get help from the Fed is in its recent increases in the money supply and its reduction in the discount rate (interest it charges member banks when they borrow from the Fed). With slack in the economy, with interest rates coming down, and with increases in the money supply the Fed can turn the economy around and make it more productive with jobs for the vast majority of the unemployed.

This may be the President's secret wish and it may or may not happen, as the Fed is independent of the Administration. The President, however, may "stay the course" regardless, for he may see this as his righteous cause. Yet, the U.S. economy will not be able to afford his programs unless the recession ends and prosperity returns. In all this the President may be playing a political game with the Democrats and Tip O'Neil of striking the first blow and negotiating from there. Or it may be that he is virtuous. Yet, sometimes, as Albert J. Nock has pointed out, "Virtue is more to be feared than vice, because its excesses are not subject to the regulation of conscience."

LET

Prepared by the Bureau of Business Research
THE COLLEGE OF WILLIAM AND MARY
School of Business Administration
Charles L. Quittmeyer, *Dean*
Thomas A. Graves, Jr., *President*
Bureau of Business Research
Leland E. Traywick, *Director*

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 272 **December, 1982**

Business in Virginia November, 1982, Data

There are some good signs in the Virginia business news for November and they may be just good enough to warrent some hope. For example the dollar value of building permits rose 73.3 percent this November over that of a year ago. In October they had risen 27.4 percent and in September 40.3 percent. A trend seems to be developing. The important part of it all is that this is a leading economic indicator, as clearly the permit comes first and the construction put in place is later. This barometer is saying that some five or six months down the road the construction business in Virginia will be in good shape, for not only are these permits commercial ones but residential in addition. National figures too show a big upturn in housing and other permits and construction for the month of November.

Another good sign is that of new car registrations. They are up 13.6 percent over November of 1981. This is a startling increase—the greatest for the entire year to date. Only once did these registrations get into the black and that was June with a rise of 0.1 percent. Other months have been off as much as 31.3 percent. National figures too showed a very healthy increase in new car sales for November.

Studies of business cycles since World War II show that in every case housing and autos have led us into and out of the recessions. If this is the case this time around, then a continuing increase in these two indicators will go a long way to restore confidence for producers and consumers. We are still not out of the recession, though. There is too much unemployment, unused industrial capacity, business failures, etc. But it is just possible that there is a little light showing through the darkness.

A third economic delight in November was the retail sales indicator. It increased 10.5 percent this November over last year. Some of this may have been and likely was pre-Christmas sales. It is possible that some of the wind was taken out of December thereby. But this should not be knocked. There is still enough buying power among the consumers that if they are of a mind, December retail sales will come in stronger than that of last year.

But lest the reader be overcome by all of this euphoria we should examine the other side of the ledger. One of the best state and local indicators for total dollar volume of goods and services sold is that of bank debits to demand deposits. These are checking account transactions and give a total for all levels: retail, wholesale, producer, and raw materials. In November they were up only 13.7 percent. This is on the low side. This is better than October when they rose only 11.0 percent, but it is still below the norm of around an increase of 20 or 22 or 23 percent. As fundamental as this indicator is, one can only conclude that slowness continues in the Virginia economy and we are not out of the recessionary woods as yet.

No data on nonagricultural employment yet; water consumption up 1.4 percent; electricity up 3.3 percent; and postal receipts down 2.2 percent.

(Continued on the back page)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change November, 1982 from November, 1981

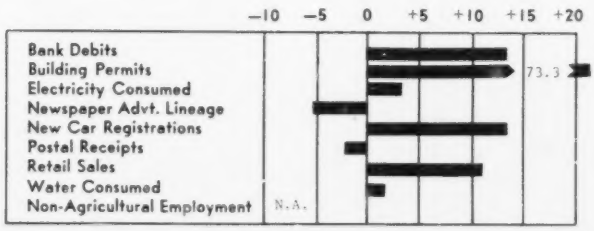
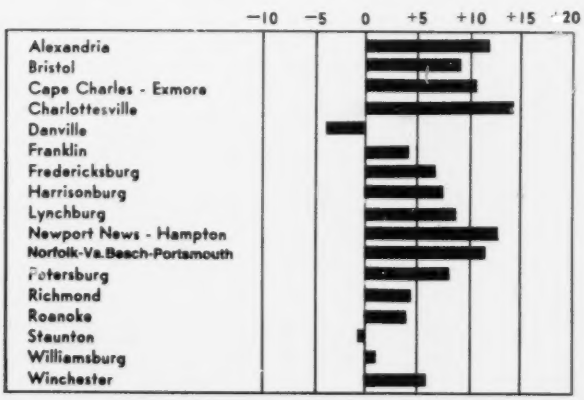


Chart II

City Indices

Percentage Change November, 1982 from November, 1981



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I November, 1982

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		237.8	201.7	101.6	111.6	86.1	N.A.	84.0	154.7	171.4
Alexandria	167.2	443.7	160.8	105.7	N.A.	95.8	128.9	96.5	155.6	N.A.
Bristol	122.2	198.1	109.4	88.6	80.3	74.6	N.A.	65.4	134.2	190.1
Cape Charles - Exmore	114.2	143.6	21.3	101.0	N.A.	91.1	N.A.	N.A.	103.6	152.6
Charlottesville	166.0	217.7	175.9	100.9	N.A.	103.6	N.A.	104.7	209.5	172.9
Danville	118.2	N.A.	41.8	98.6	95.9	72.4	N.A.	75.9	149.9	153.2
Franklin	119.1	N.A.	N.A.	N.A.	125.0	80.3	N.A.	97.8	123.8	158.9
Fredericksburg	154.4	139.7	90.6	N.A.	130.1	100.4	N.A.	58.2	208.0	182.7
Harrisonburg	148.9	177.6	214.2	N.A.	136.5	90.9	N.A.	110.5	155.4	209.5
Lynchburg	174.9	402.3	58.1	97.8	N.A.	71.1	N.A.	105.7	137.6	309.4
Newport News - Hampton	132.8	203.4	649.3	90.8	101.0	81.5	113.1	99.4	168.8	N.A.
Norfolk - Va. Beach - Portsmouth	116.7	108.3	150.6	110.3	113.2	88.1	114.3	68.8	149.2	N.A.
Petersburg	117.1	124.7	5.2	N.A.	75.4	63.7	N.A.	95.2	146.4	138.9
Richmond	133.0	266.1	N.A.	103.2	105.5	80.1	111.6	86.5	141.1	153.3
Roanoke	138.4	196.8	185.8	83.2	134.1	62.0	103.2	92.1	182.2	165.6
Staunton	116.4	106.7	143.4	N.A.	N.A.	65.3	N.A.	N.A.	125.2	150.6
Williamsburg	123.3	139.0	87.6	128.0	N.A.	93.2	N.A.	79.3	116.5	197.1
Winchester	142.6	294.3	52.3	104.3	164.0	85.8	N.A.	101.7	124.9	158.3

TABLE II November, 1982

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Oct. RETAIL SALES ‡
The State		13.7	73.3	3.3	-5.2	13.6	N.A.	1.4	10.5	-32.2
Alexandria	11.9	24.5	215.5	3.9	N.A.	22.0	2.2	21.6	7.0	12.4
Bristol	9.1	29.1	256.5	2.4	-5.6	3.7	N.A.	1.0	14.0	1.8
Cape Charles - Exmore	10.5	4.8	-81.9	13.6	N.A.	59.2	N.A.	N.A.	-4.8	-2.4
Charlottesville	14.3	21.8	153.4	-1.6	N.A.	40.0	N.A.	3.6	12.2	1.6
Danville	-3.8	N.A.	-6.4	2.3	-5.1	-6.3	N.A.	-3.7	-4.5	-0.4
Franklin	4.0	N.A.	N.A.	N.A.	-5.7	11.4	N.A.	2.8	5.1	13.1
Fredericksburg	6.4	23.1	-89.0	N.A.	-5.0	2.4	N.A.	-39.5	21.3	4.3
Harrisonburg	7.1	19.9	1153.9	N.A.	0.2	9.7	N.A.	-5.1	8.3	5.6
Lynchburg	8.4	27.0	-70.1	0.1	N.A.	12.7	N.A.	-5.4	8.1	-8.7
Newport News - Hampton	13.1	53.2	988.1	3.3	-14.0	23.2	2.9	5.8	14.6	7.4
Norfolk - Va. Beach - Portsmouth	11.3	22.1	16.7	7.9	-2.3	10.8	0.7	4.5	19.3	7.7
Petersburg	7.9	19.1	155.3	N.A.	-18.1	30.5	N.A.	-7.0	10.2	3.5
Richmond	4.8	8.6	17.4	1.1	-10.7	2.3	0.1	-4.6	15.5	5.6
Roanoke	4.1	8.9	72.6	-1.1	-0.6	1.4	-0.9	12.8	5.4	13.6
Staunton	-0.5	3.3	-42.9	N.A.	-6.5	-17.1	N.A.	N.A.	5.8	7.4
Williamsburg	0.9	7.0	270.3	4.3	N.A.	18.3	N.A.	-8.4	-5.0	3.1
Winchester	5.8	20.7	-83.1	-1.5	26.2	16.9	N.A.	-7.5	-2.7	6.2

TABLE III

Percentage Change January - November from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Oct. RETAIL SALES
The State		20.8	6.9	1.9	-2.3	-13.6	N.A.	2.4	4.3	0.3
Alexandria	6.8	43.6	-45.9	4.4	N.A.	-12.9	1.8	4.2	4.3	6.3
Bristol	-0.3	10.3	14.1	-2.3	6.2	-22.9	N.A.	-10.8	7.8	5.6
Cape Charles - Exmore	-0.1	6.2	-55.9	2.3	N.A.	-12.5	N.A.	N.A.	1.2	-5.3
Charlottesville	5.6	12.3	42.8	3.8	N.A.	-7.3	N.A.	6.1	8.1	6.8
Danville	1.6	N.A.	1.1	-5.9	-3.3	-26.2	N.A.	-8.4	18.4	0.8
Franklin	-0.4	N.A.	N.A.	N.A.	-2.1	-7.2	N.A.	11.2	-1.5	-1.9
Fredericksburg	-1.3	16.7	-58.9	N.A.	-8.3	-9.7	N.A.	-19.1	3.8	2.2
Harrisonburg	-2.4	2.5	-57.2	N.A.	-0.5	-23.3	N.A.	1.9	0.8	5.8
Lynchburg	-1.3	18.8	-18.3	-1.0	N.A.	-20.2	N.A.	-11.0	1.4	-2.8
Newport News - Hampton	5.4	40.3	16.5	1.4	-3.1	-16.4	1.3	2.0	7.8	6.8
Norfolk - Va. Beach - Portsmouth	4.9	26.7	36.5	2.5	-2.9	-13.8	0.3	17.7	4.6	4.5
Petersburg	-3.4	-2.6	-59.9	N.A.	-8.4	-14.9	N.A.	-4.8	2.3	3.0
Richmond	1.1	17.6	-35.9	2.0	-5.4	-12.0	0.0	-3.0	3.5	3.3
Roanoke	2.2	13.9	0.9	-2.5	2.2	-10.0	-1.2	3.1	4.8	3.6
Staunton	-2.4	-7.8	9.2	N.A.	-1.0	-18.8	N.A.	N.A.	4.4	2.4
Williamsburg	-1.7	11.7	43.6	3.3	N.A.	-4.6	N.A.	-8.6	-4.6	-0.9
Winchester	5.3	52.2	-39.7	0.7	9.0	-15.6	N.A.	-2.9	-0.4	-1.1

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

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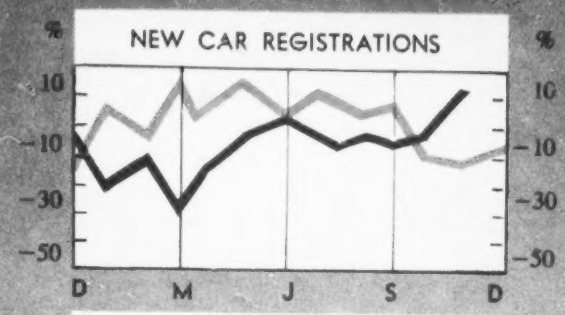

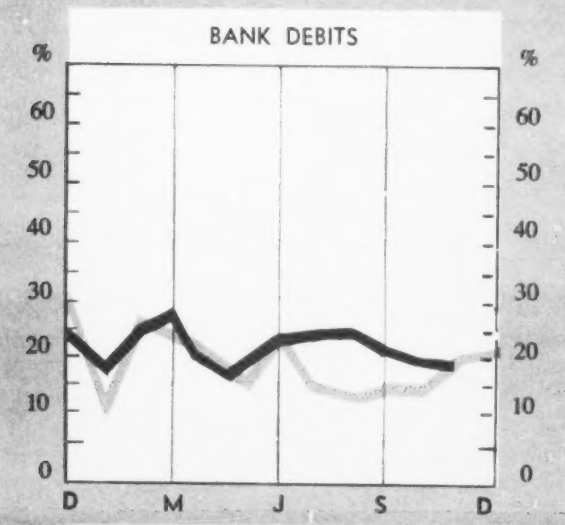

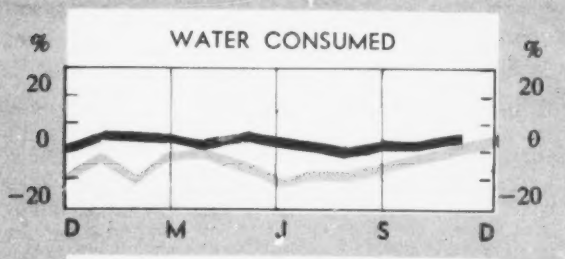

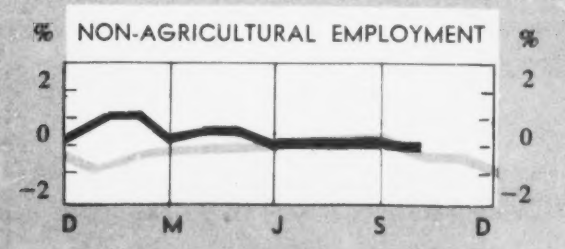

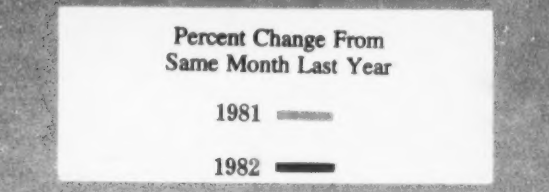

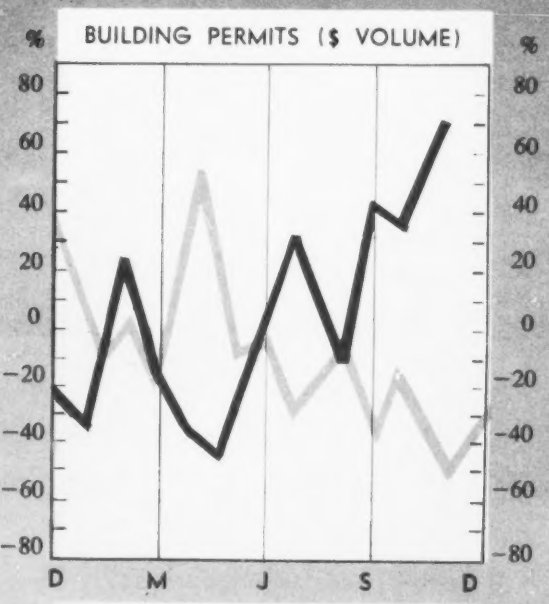

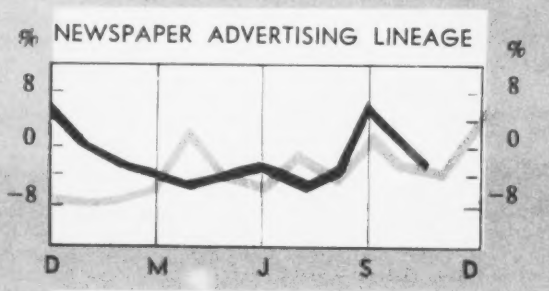

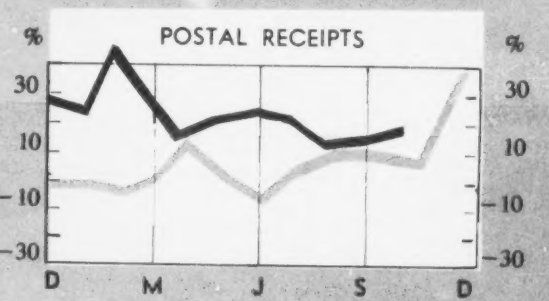

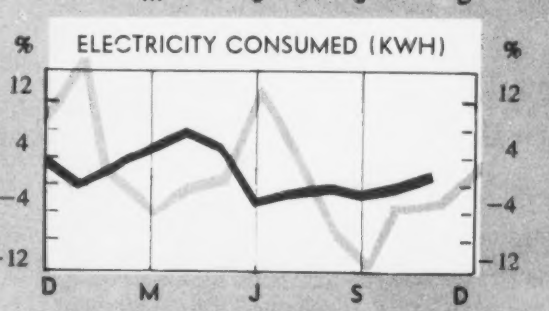

Why No Recovery? What Went Wrong?

In late spring and early summer of this year the economic indicators were pointing to a recovery from the recession which had started, so most analysts agreed, in July of 1981. The average recession since World War II had lasted about eleven to twelve months. This point had been reached and it was now time for the upturn. Furthermore, there were signs of confirmation. The composite index of twelve leading economic indicators began rising in April and when the third successive monthly increase occurred, there was joy in econoland, as this confirmed the recovery. Other nice things happened. In April early reports showed retail sales increasing by 1.4 percent and then 2.7 percent in June. Housing starts jumped 22.3 percent in May and the first report on new orders for durable goods showed a 1.4 percent increase. The income tax cut along with substantial social security benefits were eagerly awaited and in August the stock market soared.

Yet, in both July and August it became painfully clear that the recovery had aborted and that even though real GNP (gross national product adjusted for inflation) had turned from a negative growth rate in the first quarter of 1982 to a definitely positive upturn in the second, it was going nowhere in the third quarter. Perhaps the stock market investors knew something no one else did, but then the market is a leading economic indicator and they were about six months down the road.

Currently things were in a mess and if there had been an upturn in the spring then by summer the unemployment rate should have been turning down, since it lags about two months behind the upturn. It did not get better. It got worse and by September reached pre-World War II levels of tragedy.

What went wrong? What happened? It had all looked so good. Even new incorporations had turned up, which is almost a sure sign of economic spring and robins.

Although economic cycles go back at least to the seven lean years and the seven fat years that surrounded Joseph in Egypt, it has only been in this century that business cycles have been studied carefully and that government officials have thought they could control them. It is true that business cyles were noted in the 16th and 17th centuries in England, but as Edmund Whittaker has pointed out (*History of Economic Ideas*), "The paucity of statistical and other evidence makes it impossible to determine with accuracy the characteristics of those early periods of commercial stagnation." It is also true that there were some classical and neoclassical economists (e.g., Pigou) that wrote about cycles, but none so thoroughly as Wesley C. Mitchell (*The Business Cycle, The Problem and Its Setting*), who with the National Bureau of Economic Research (founded in 1920) was to devote his life to this study, which was inspired by Thorstein Veblen.

Even in the Harding Administration reductions in government spending were effected. Assistant Secretary Edward Clifford of the Treasury announced for fiscal 1923, "We expect to run the government on less than $3.5 billion, a reduction of $2 billion from the cost of government in 1921 and nearly $500 million" less than 1922. (*Forbes* 9/22/82.) Secretary of the Treasury Andrew Mellon was to engineer a most successful tax cut in the 1920s.

By the 1930s, however, mostly government spending was the order of the day. J. M. Keynes's ideas prevailed: control the business cycle via public investment (government spending) when private investment fails; move against the cycle with taxation (raise taxes in prosperity to repay the public debt; cut taxes in depressions to stimulate private spending). Fiscal policy was thus a two edged sword—spending and taxing.

The Kennedy-Johnson years witnessed a tax cut and a lot of "fine tuning" (fiscal and monetary actions) to adhere to the highway of prosperity. All of which had a measure of success until it ran into the Vietnam escalation with no taxation to pay for it.

President Nixon tried price controls with no success and President Ford pushed a "Win" policy which went nowhere against the recession of 1974-5. President Carter allowed high spending, got inflation and then invoked credit controls which plunged the country into the recession of 1980 just when he did not need it.

Not too long after the new administration took office the term "Reagonomics" was born. It called for monetary restraint to fight inflation, fiscal stimulus (Keynesian tax cuts), decreased nondefense spending, and increases in defense. Although spending cuts might not pay for defense, tax cuts would, since consumers would save more than they would spend, interest rates would thus fall, business would borrow to build new plants, and the economy would expand which would bring higher revenues. It did not work.

Trouble began in July, 1981. Because of the Federal Reserve there was not enough money to finance the economy. The consumer quit buying. Retail sales fell, inventories clogged, and production declined. The recession was on.

Even though the tax cuts of October, 1981, and July, 1982, were mostly saved and interest rates fell, there was no motivation to expand productive capacities, since business could not sell what was already being produced. Furthermore, what made Reagan economists think that capital spending would lead an economy? It never has. Sales must accelerate before investment follows (accelerator principle).

The flicker of a 1982 spring recovery died largely because of monetary restraint by the Fed from February through July and the decline in the velocity of money (rate of spending). Moreover, unemployment had reached a horrible level and consumers adopted a policy of "wait and see." Buyers had led the economy into the recession and were in no mood to lead it out. Since consumption accounts for nearly 65 percent of gross national product, consumers are the most potent elements in influencing economic behavior.

Where the forecasters went fundamentally wrong was in predicting consumer behavior. Economics has become a mathematical-social science and forecasts by using historic, quantitative data (econometrics). Veblen asked "Why Is Economics not an Evolutionary Science?" Perhaps a change is in order. "Man is not a lightening calculator of pleasure and pain." If economists would move closer to social psychology, they might forecast better. At the moment the Fed on the basis of the quanity theory of money is increasing the money supply generously. Will prosperity return? We shall see.

LET

Prepared by the Bureau of Business Research
THE COLLEGE OF WILLIAM AND MARY
School of Business Administration
Charles L. Quittmeyer, *Dean*
Thomas A. Graves, Jr., *President*
Bureau of Business Research
Leland E. Traywick, *Director*

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 273 **January 1983**

A Special Thank You

At the beginning of this new year the Virginia Business Report sends a very special word of appreciation to all its many contributors. There are over two hundred organizations throughout the Commonwealth that send in data each month at their own expense in time and effort. Without their support this Report could not exist. Our readers and we at the College of William and Mary are most grateful.

LELAND E. TRAYWICK, PH.D., *Director*

Summary for 1982

Business in Virginia was on a roller coaster during 1982. It did not start out so well in January (worst winter weather this century), but got better in February and March only to decline in April and May. June, July and August improved, but the rest of the year was downhill from there.

When the twelve months are averaged bank debits (checking account transactions) came in at 18.2 percent over 1981. This was slightly better than the 16.9 percent increase over 1980 but far short of 1980's rise of 29.5 percent. The dollar volume of checks cashed give an idea of the total amount of business that is transacted for any given time. From these figures one could say that Virginia has been in something of a slump for two years. The benchmark for economic good health is to have bank debits be above the 20 percent level of increase and preferably close to 25 percent for the state as a whole. Individual localities can, of course, vary from that norm.

Of all the indicators during the year building permits showed the greatest improvement. They started out in low gear in January and on a cumulative basis remained at a low ebb (all kinds of minus percents of change) until June when they broke into some sunshine. They really blossomed from September on and turned in a most substantial rise of 59.3 percent in December. Since this is clearly a leading economic indicator, it is saying that in 1983 Virginia should see a healthy increase in construction both residential and commercial. These data are based on the dollar value of the permits and not just on the numbers of them.

Another late bloomer in the Commonwealth's economy for 1982 were new car registrations. Until October they were with the exception of June in double digits of decline on a year-ago basis of comparison. Then came the tenth month and the receding was only 2.5 percent. That was not in the black but at least it was far from what it had been. November saw an increase of a beautiful 13.6 percent and December a rise of 18.9 percent. Are they off and running? This is the big question, of course. It is interesting that in the post-World War II recessions autos and housing have led us into and out of these economic slumps. They were downward leaders this time and may be precursors for 1983. The year as a whole, though for new car registrations

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change December, 1982 from December, 1981

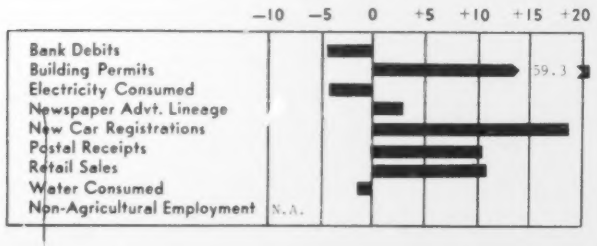
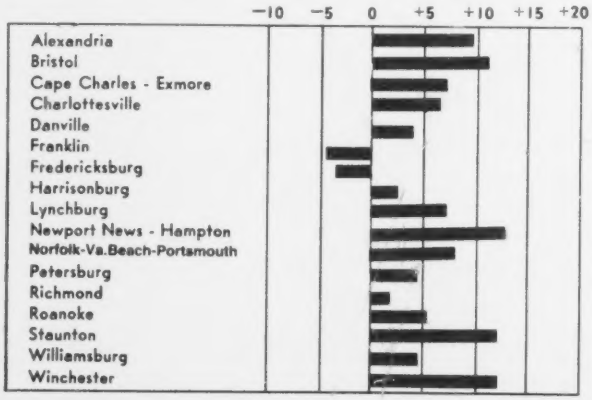


Chart II

City Indices

Percentage Change December, 1982 from December, 1981



was a terrible minus 12.5 percent. They were much worse than 1981 and on a par with the year of 1980.

Retail sales crawled through the year and came in at a 4.6 percent increase over 1981. The first six months of 1982 they advanced only at a rise of 3.8 percent, but to increase in July (up 7.5 percent) and fall in August and September (1.1 and 2.0 percents) and from there on rise very nicely to a December increase of 10.9 percent. With the December rate of inflation standing at a minus 3.6 percent in the Consumer Price Index it meant a very strong increase in "real sales." Because of the earlier months that were slow, the twelve months of 1982 in comparison with those of 1981 showed a rise of 4.6 percent. The annual increase in the CPI was 3.9 percent, which was the best since 1972. National retail sales in 1982 showed only a 3.0 percent rise.

This is typical of the Commonwealth. Virginia does not suffer in these recessions the way the average state in the union does. It is true not only in just such a category as retail sales but also in the bad figures such as unemployment. While the nation hovers near 11.0 percent, the latest figure for the Old Dominion shows only 8.1 percent. In general this has been the story in all of these post-World War II recessions. Virginia is about two to three percentage points below the national averages most of the time. This is primarily because of the heavy proportion of service businesses in the Commonwealth, which are affected much less than the heavy durable goods industries or even the nondurable goods businesses. It is thus a matter of the structure (i.e., the very nature) of the Virginia economy.

Data for December, 1982, for nonagricultural

SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I December, 1982

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		245.4	137.5	116.0	113.7	51.1	N.A.	84.8	248.2	197.5
Alexandria	236.7	467.8	311.2	125.1	N.A.	62.2	N.A.	87.0	305.0	N.A.
Bristol	143.7	265.0	19.0	98.9	89.0	38.6	N.A.	68.6	166.0	234.8
Cape Charles - Exmore	127.4	148.8	120.7	103.3	N.A.	54.8	N.A.	N.A.	125.5	208.2
Charlottesville	195.4	247.6	784.5	115.9	N.A.	47.0	N.A.	94.4	281.2	214.9
Danville	141.7	N.A.	375.5	99.0	107.2	48.6	N.A.	73.2	199.0	208.8
Franklin	138.5	N.A.	12.3	111.4	129.2	47.5	N.A.	98.0	169.3	213.6
Fredericksburg	190.3	156.2	30.7	N.A.	143.2	67.7	N.A.	57.8	284.4	244.4
Harrisonburg	164.3	167.7	40.3	N.A.	145.5	44.1	N.A.	121.7	200.6	233.7
Lynchburg	195.6	421.8	87.4	110.4	N.A.	42.1	N.A.	117.8	184.4	319.3
Newport News - Hampton	161.9	206.7	95.5	103.4	103.9	42.0	N.A.	100.8	246.0	N.A.
Norfolk - Va. Beach - Portsmouth	143.5	107.4	139.5	125.9	113.6	52.7	N.A.	71.4	225.6	N.A.
Petersburg	162.0	126.7	35.3	N.A.	84.0	21.4	N.A.	90.3	259.2	195.8
Richmond	177.8	271.8	N.A.	117.9	103.6	43.2	N.A.	87.3	268.7	170.2
Roanoke	157.0	206.8	87.7	93.3	127.3	31.0	N.A.	94.9	219.3	201.9
Staunton	164.6	121.3	27.2	N.A.	N.A.	40.1	N.A.	N.A.	192.8	248.0
Williamsburg	153.5	165.5	100.8	136.3	N.A.	61.0	N.A.	70.1	178.8	258.8
Winchester	174.9	337.0	10.7	110.2	176.5	52.7	N.A.	112.3	192.2	208.6

TABLE II December, 1982

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Nov. RETAIL SALES ‡
The State		-4.8	59.3	-4.6	2.6	18.9	N.A.	-1.6	10.9	9.6
Alexandria	9.8	-4.7	435.0	-3.9	N.A.	24.4	N.A.	9.6	14.5	9.4
Bristol	11.2	40.7	-28.5	-8.9	10.0	14.1	N.A.	0.4	11.2	-4.6
Cape Charles - Exmore	7.3	1.3	4.5	-13.0	N.A.	38.8	N.A.	N.A.	5.6	8.8
Charlottesville	6.3	20.0	527.8	-0.7	N.A.	19.2	N.A.	-7.3	4.3	6.8
Danville	3.9	N.A.	1162.5	-1.2	14.3	36.3	N.A.	-14.0	-2.6	7.7
Franklin	-4.9	N.A.	262.4	-11.7	-4.1	-12.1	N.A.	-8.1	0.5	1.8
Fredericksburg	-3.4	15.3	-21.6	N.A.	-2.7	12.6	N.A.	-33.8	-5.0	4.9
Harrisonburg	2.5	-4.0	-23.2	N.A.	2.8	-11.8	N.A.	10.9	6.5	-1.4
Lynchburg	7.1	15.7	248.7	-6.0	N.A.	7.2	N.A.	4.0	9.7	8.5
Newport News - Hampton	12.9	61.3	5.4	-5.0	-3.3	22.8	N.A.	-2.2	9.9	7.4
Norfolk - Va. Beach - Portsmouth	7.6	19.4	82.0	-7.1	7.1	14.1	N.A.	0.8	8.8	13.0
Petersburg	4.5	25.4	41.0	N.A.	-5.1	-16.4	N.A.	-4.9	10.8	5.7
Richmond	1.7	-12.9	-74.6	-3.1	-4.5	14.6	N.A.	-6.9	8.8	8.8
Roanoke	5.1	-3.2	233.1	-4.0	2.5	13.6	N.A.	23.3	2.9	17.4
Staunton	12.1	29.5	-85.6	N.A.	2.7	21.4	N.A.	N.A.	6.3	8.8
Williamsburg	4.8	11.3	28.9	-3.1	N.A.	33.3	N.A.	-11.3	1.2	0.7
Winchester	11.9	20.9	10.7	-1.9	17.4	53.4	N.A.	3.8	0.6	12.7

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.

N.A. — Not Available
O.O. — No Change

employment are not available and hence we have only eleven months to look at. (Virginia Department of Labor and Industry has computer outage problems.) For the eleven months the increase over the same period in 1981 was only 0.1 percent. This is the jobs market and it is saying that although it was up nicely in February (0.9 percent) it waned for much of the year, even turned in some negative numbers, but most recently has shown a mild increase.

Other annual indicators such as electricity rose only 1.3 percent, newspaper advertising linage fell 1.8 percent, water consumption rose 2.0 percent and postal receipts were up 18.0 percent when compared with 1981. All in all a slow year but not nearly as bad as the northern industrial states and with some pickups in building permits, new car registrations, and retail sales toward the end of the year.

For 1983? The consensus of the Blue Chip forecasters is that we reached the bottom in December (Virginia bank debits show that) and we are on our way to a slow recovery.

LET

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THE COLLEGE OF WILLIAM AND MARY
Thomas A. Graves, Jr., *President*
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Leland E. Traywick, *Director*

SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE III — Percentage Change January - December from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Nov. RETAIL SALES
The State		18.2	9.6	1.3	-1.8	-12.5	N.A.	2.0	4.6	1.2
Alexandria	7.7	38.8	-36.2	3.7	N.A.	-11.3	N.A.	4.6	6.0	6.6
Bristol	0.5	13.0	12.4	-2.9	1.0	-21.5	N.A.	-9.9	8.1	4.5
Cape Charles - Exmore	0.2	5.8	-54.0	0.9	N.A.	-9.8	N.A.	N.A.	1.5	-4.2
Charlottesville	5.4	13.0	79.7	3.4	N.A.	-6.4	N.A.	5.0	7.6	6.8
Danville	1.0	N.A.	25.3	-5.5	-1.8	-23.7	N.A.	-8.8	15.7	1.5
Franklin	-0.7	N.A.	-59.4	-0.8	-2.3	-7.5	N.A.	9.5	-1.2	-1.5
Fredericksburg	-1.8	16.6	-58.3	N.A.	-7.8	-8.6	N.A.	-20.2	2.4	2.4
Harrisonburg	-2.0	1.9	-56.3	N.A.	-0.2	-22.7	N.A.	2.7	1.5	5.1
Lynchburg	-0.6	18.5	-20.3	-1.4	N.A.	-19.1	N.A.	-9.9	2.5	-1.7
Newport News - Hampton	6.4	42.2	15.9	0.8	-3.1	-14.9	N.A.	1.6	8.2	6.9
Norfolk - Va. Beach - Portsmouth	5.7	26.3	39.6	1.6	-2.1	-12.5	N.A.	16.1	5.3	5.3
Petersburg	-2.5	-0.4	-59.1	N.A.	-8.1	-15.0	N.A.	-4.8	3.7	3.3
Richmond	1.2	14.4	-40.7	1.5	-5.3	-11.0	N.A.	-3.3	4.5	3.9
Roanoke	0.8	12.2	10.8	-2.6	2.2	-16.3	N.A.	4.5	2.0	4.8
Staunton	-1.5	-4.8	-3.1	N.A.	-0.7	-17.4	N.A.	N.A.	4.6	3.0
Williamsburg	-1.3	11.7	42.0	2.7	N.A.	-2.9	N.A.	-8.8	-4.0	-0.8
Winchester	5.2	48.1	-39.3	0.5	9.9	-13.4	N.A.	-2.3	-0.3	0.2

TABLE IV — INDEX NUMBER COMPARISON OF THE YEAR 1982 TO BASE PERIOD (1977) - BASE PERIOD YEAR = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		255.1	100.6	114.2	102.7	73.7	N.A.	90.7	146.5	181.3
Alexandria	185.6	572.0	153.1	122.4	N.A.	84.9	N.A.	91.2	142.9	N.A.
Bristol	125.7	195.6	64.2	95.2	87.5	57.0	N.A.	65.7	144.8	195.8
Cape Charles - Exmore	117.9	140.2	140.0	109.1	N.A.	56.3	N.A.	N.A.	121.6	155.1
Charlottesville	158.6	213.7	245.8	110.8	N.A.	84.9	N.A.	108.8	190.8	177.9
Danville	119.5	N.A.	148.9	101.6	88.6	56.3	N.A.	86.0	154.7	159.5
Franklin	113.9	N.A.	45.2	104.0	108.2	74.6	N.A.	110.3	119.8	154.4
Fredericksburg	137.6	138.0	91.0	N.A.	116.1	92.0	N.A.	77.8	163.7	185.6
Harrisonburg	138.2	158.2	76.2	N.A.	126.6	65.5	N.A.	113.3	147.4	199.7
Lynchburg	180.4	362.7	110.7	107.7	N.A.	62.1	N.A.	109.6	151.8	345.3
Newport News - Hampton	142.6	167.3	168.6	103.1	93.9	64.2	N.A.	107.8	201.4	N.A.
Norfolk - Va. Beach - Portsmouth	158.2	161.1	132.6	125.7	100.5	71.3	N.A.	73.7	244.4	N.A.
Petersburg	104.9	102.9	43.9	N.A.	72.5	48.2	N.A.	97.4	125.2	142.9
Richmond	129.7	277.2	25.9	114.9	96.4	71.3	N.A.	97.6	116.5	160.2
Roanoke	128.2	200.8	57.6	90.1	113.7	53.7	N.A.	99.7	138.3	180.7
Staunton	181.0	94.8	118.2	N.A.	N.A.	62.2	N.A.	N.A.	246.3	189.9
Williamsburg	132.5	164.3	86.9	140.9	N.A.	79.3	N.A.	89.6	129.6	197.3
Winchester	135.6	258.1	72.3	107.6	127.0	77.9	N.A.	106.3	123.1	174.3

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.

N.A. — Not Available
O.O. — No Change

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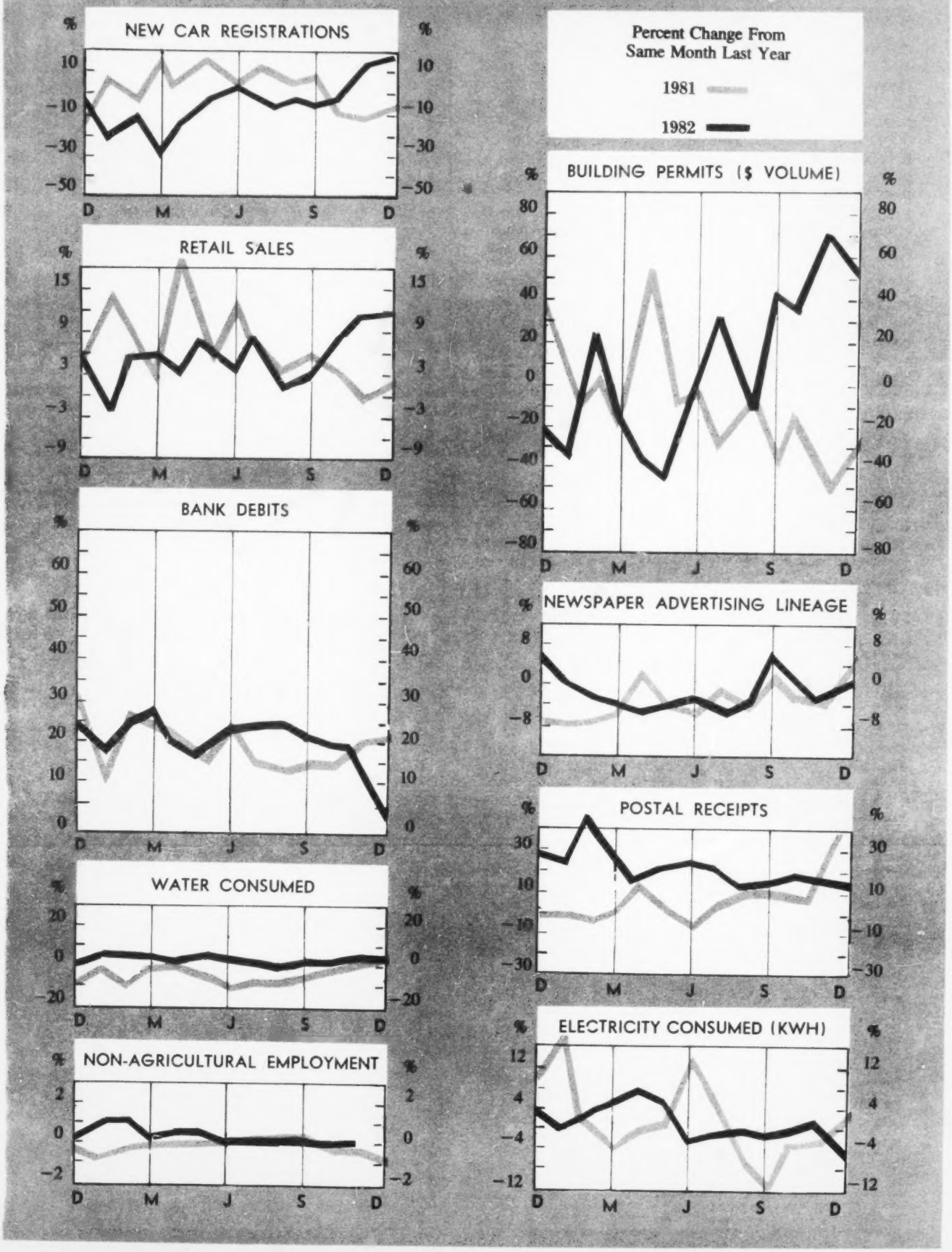

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 274 **February, 1983**

Business in Virginia January, 1983, Data

In January business in Virginia picked up in a number of areas, but in total dollar volume of business transacted did not do well.

The latter is measured by checking account transactions which are technically known as bank debits to demand deposits. This means the total dollar volume of checks cashed. When they were compared this January to that of a year ago the increase was only 11.6 percent for the state.

Certain cities, however, did very well. These were Bristol, Fredericksburg, Harrisonburg, Lynchburg, Newport News-Hampton, Norfolk-Virginia Beach-Portsmouth, Petersburg, Staunton, and Winchester. If so many did so well (increases of 30 and 40 percents), why was the state so meager? The answer lies mostly in Richmond. Their bank debits were up only 5.3 percent and since they have such a huge volume of checks cashed, the whole state was pulled down.

On the brighter side, though, were the dollar value of building permits. This indicator for January was up 82.1 percent when compared with the same month a year earlier. Since September this barometer has been on a constant increase. It speaks well for the construction industry as we look at the months ahead in 1983. This includes both residential and commercial construction permits.

New car registrations came out of the doldrums last November, had a good December, and now in January were up 19.1 percent above the same month a year ago. Like building permits, this is a good omen. If houses and cars pick up, the indication is that we are on our way out of the recession.

Was Virginia still in a slump in January? It looks that way from looking at bank debits. Not so much, though when considering construction plans and auto sales. Chances are that the national economy turned up in December. This seems to be a consensus among the economic forecasters. If they are right, then Virginia should be following suit within two or three months thereafter. If this holds true this time around as it has in the past, then the Old Dominion should see a lot of spring and robins by March or April.

Some of the upturn may have already arrived. Not only construction and autos but also retail sales jumped to a beautiful increase of 21.1 percent. They had been on the rise since October and this speaks well for rebuilding inventories and getting production under way and on the rise.

Electricity consumed was off 14.2 percent in January over that of a year earlier, but there is much seasonality in this January as there is most of the time. Hence, nothing to worry about.

Water consumption down 9.4 percent — good conservation. Postal receipts up 8.3 percent and newspaper advertising linage rose by 5.2 percent, which is an improvement, since it fell nearly every month last year. Nonagricultural employment not available yet.

[Note: Beginning with this issue, Table I is made consistent with Table II so that trends may be plotted from 1980 to date all on the base year of 1977.]

(Continued on the back page)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change January, 1983 from January, 1982

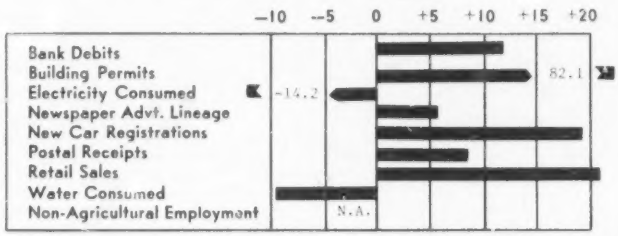
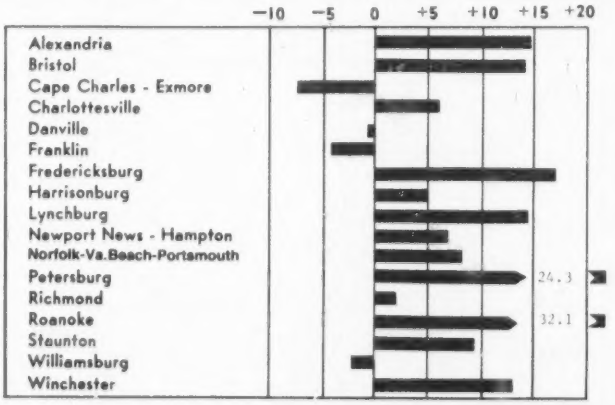


Chart II

City Indices

Percentage Change January, 1983 from January, 1982



A Jobs Bill

At his press conference on February 16th President Reagan pushed for action on his jobs bill. This aligned with his State of the Union address on January 25th when he said, "We who are in Government must take the lead in restoring the economy." [This evoked a standing ovation, but it was not spontaneous. The Democrats had previewed a copy of the speech and agreed to rise at that point.]

None of this however, sounded like the Reagan of the 1980 or earlier campaigns. It was more like New Deal thinking and the Employment Act of 1946, which states, "It is the continuing policy and responsibility of the federal government. . .to promote maximum employment." Why the change? Is it any good?

Certainly, it appears to be a change in the very fundamentals of Reaganomics. Originally, the private, not the public, sector was to provide jobs. There was too much government anyway. What may have forced this reversal, however, was the intensity of the recession in 1981 and 1982. Never since World War II had there been so many business failures, so much idle industrial capacity, or unemployment. Certainly, in the great depression unemployment had reached almost 25 percent of the work force. Recently, the worst is 10.8 percent. But the interesting part is that in 1983 about 12 million are unemployed and in 1933 it was a little more than 12 million. Indeed, percentages are different but we are back to bread lines, soup kitchens, with 2 million unhappy wanderers, nonvoting nomads, desparately looking for work, shunting all over the country at the least rumor of a job, living in vans or cars or sleeping under bridges. It is no wonder that interest in John Steinbeck's *Grapes of Wrath* revived. We have been reliving the past.

The importance of employment was underscored in the 1982 elections and the message became even louder and clearer, as unemployment increased through December with bad prospects for 1983. The White House saw the light and changed course.

A jobs bill was attempted in the Lame Duck session of the last Congress but got nowhere. Undaunted, though, some Democrats have talked about a new jobs bill of $5 to $7 billion, much to the dismay of the AFL-CIO which wants one for $68.5 billion. The Administration is pushing for a $4.3 billion package. This involves accelerated federal spending on construction and repair projects. All of this is supposed to create a scant 470,000 jobs, which seems pathetic in the light of nearly 12 million now unemployed. But this is not all. A good part of the package is to go for supplementary unemployment insurance and $300 million in relief for jobless citizens in dire need.

Details, though, are very interesting. As *Business Week* (2/7/83) brought out, "The most innovative part of the package—and one likely to face considerable skepticism on Capitol Hill—is Reagan's plan to provide direct subsidies to companies that hire workers who have exhausted both their regular and extended unemployment benefits.

"Tentative plans call for employers to receive the subsidy in the form of tax credits worth roughly $60 per week for each worker hired, with a maximum of 32 weeks. The existing federal supplemental compensation program pays an average of $118 per week to a jobless worker but runs for only 16 weeks. For the new subsidy program to work, however, the Administration also wants a six-month extension of the FSC, which expires at the end of March, 1983." Hence, a push for action now.

What organized labor is worried about is that employers will lay off existing workers and hire the subsidized unemployed. The Administration admits that this could happen, but does not believe it will or that a massive regulatory program is needed. Congress has much to debate in this package.

A major concern is whether it will work. Not long ago the Chase Manhattan Bank wrote in its letter, "Business in Brief," about lags in the policy cycle. It pointed out a succession of them. **One: the data lag.** Anyone who has used federal statistics with all of the revisions understands this lag of weeks or months. **Two: a lag in recognition** by policymakers that a recession or an upturn has actually taken place. The data often give out conflicting signals. **Three: a lag in policy formulation.** What should or should not be done can be an extended affair in Congress or even an administration. **Four: a policy implementation lag.** This means getting a bill through Congress, through conference, on to the President's desk and signed into law. **Five: the impact lag.** Once implemented the action has to work its way through the economy. "Recent economic studies indicate that it takes two or three calendar quarters on average for fiscal or monetary stimulus to have an impact."

Taken altogether the delays add up to one to two years and most recessions last about 11 months. Currently we are at the end of probably the worst recession since World War II and at this late date the Administration is calling for a Band-Aid jobs bill!

Furthermore, these actions did not even work during the New Deal heyday. There was the National Recovery Administration, Federal Emergency Relief Administration, Civil Works Administration, a Works Progress Administration, Agricultural Adjustment Administration, a Transient Camps program, Civilian Conservation Corps, National Youth Administration, etc. At various times there were from 20 to 25 million persons who received federal, state, or local relief. As Frederick Lewis Allen puts it, "The CWA at its peak employed *over four million workers*—enough to man some twenty General Motors Corporations." Yet, unemployment persisted in double digits from 1931 through 1940 when it was 14.6 percent.

In his book, *Since Yesterday*, Allen concluded: "Here was the essential dilemma of the New Deal. Just as it wanted, reasonably enough, to apply the lessons of the 1929-33 debacle and reform the financial system, but apparently could not do this without inflicting endless rules and regulations, endless tasks of reporting and thus delaying recovery; so also it apparently could not deal humanely with the unemployed without imposing heavy taxes, incurring heavy deficits, raising very natural qualms and thus once again delaying recovery. It had to march toward its goal under a veritable Christian's pack—the burden of the very inadequacies which it was trying to resolve."

Thus, the jobs bill did not work in the thirties. But is

there any recent experience? Read the 1979 OMB Report on the trio of jobs bills in the wake of the 1973-75 recession. The total was $9¼ billion including $6 billion for training (CETA). Not until 1978 did outlays reach their peak—three years after recovery. OMB found "that fewer than one in three hired for local public-works programs came from the ranks of the unemployed and that wages paid these workers amounted to less than 7% of program costs. Jobs for unskilled workers lasted, on average, less than four weeks. Only half of the CETA enrollees graduated to a new job, added training, or went into the armed forces.

The current jobs bill is likewise not good. By the time it is enacted into law and implemented, its impact will only serve to add to inflation.

A jobs bill, Mr. President, will only falter and lead to trouble. It should be withdrawn. LET

Prepared by the Bureau of Business Research
THE COLLEGE OF WILLIAM AND MARY
School of Business Administration
Charles L. Quittmeyer, *Dean*
Thomas A. Graves, Jr., *President*
Bureau of Business Research
Leland E. Traywick, *Director*

SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I January, 1983

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		256.2	85.0	121.8	86.5	92.1	N.A.	86.1	138.0	229.6
Alexandria	157.1	440.7	186.6	132.9	N.A.	101.3	N.A.	88.2	112.3	N.A.
Bristol	120.3	292.1	19.9	114.3	92.1	26.7	N.A.	57.6	99.3	202.0
Cape Charles - Exmore	123.8	150.2	316.0	115.5	N.A.	58.3	N.A.	N.A.	133.9	140.6
Charlottesville	183.3	493.8	123.4	109.8	N.A.	79.5	N.A.	99.4	171.2	169.9
Danville	91.3	N.A.	263.0	102.5	87.7	110.5	N.A.	84.5	60.3	163.9
Franklin	102.6	N.A.	44.3	126.2	88.8	67.3	N.A.	93.9	88.2	179.9
Fredericksburg	139.7	169.1	173.0	N.A.	101.6	98.1	N.A.	86.2	152.8	204.1
Harrisonburg	145.7	197.2	87.6	N.A.	98.8	79.4	N.A.	78.1	166.6	218.4
Lynchburg	200.3	532.2	82.0	118.0	N.A.	24.7	N.A.	92.4	131.1	442.1
Newport News - Hampton	108.8	209.2	79.7	103.9	74.5	68.6	N.A.	102.4	106.0	N.A.
Norfolk - Va. Beach - Portsmouth	140.0	226.8	73.8	135.8	87.3	99.8	N.A.	44.4	178.2	N.A.
Petersburg	123.3	245.2	3.1	N.A.	67.7	81.4	N.A.	103.9	110.1	158.1
Richmond	125.2	244.0	N.A.	119.2	83.9	93.3	N.A.	79.6	114.8	162.8
Roanoke	148.6	171.9	98.2	107.3	96.5	73.8	N.A.	96.8	197.3	199.5
Staunton	105.2	115.0	108.7	N.A.	73.7	86.4	N.A.	N.A.	95.5	174.8
Williamsburg	132.4	426.3	151.4	135.8	N.A.	101.6	N.A.	63.4	83.0	83.2
Winchester	116.3	132.8	27.1	108.1	126.6	102.6	N.A.	109.9	95.7	180.0

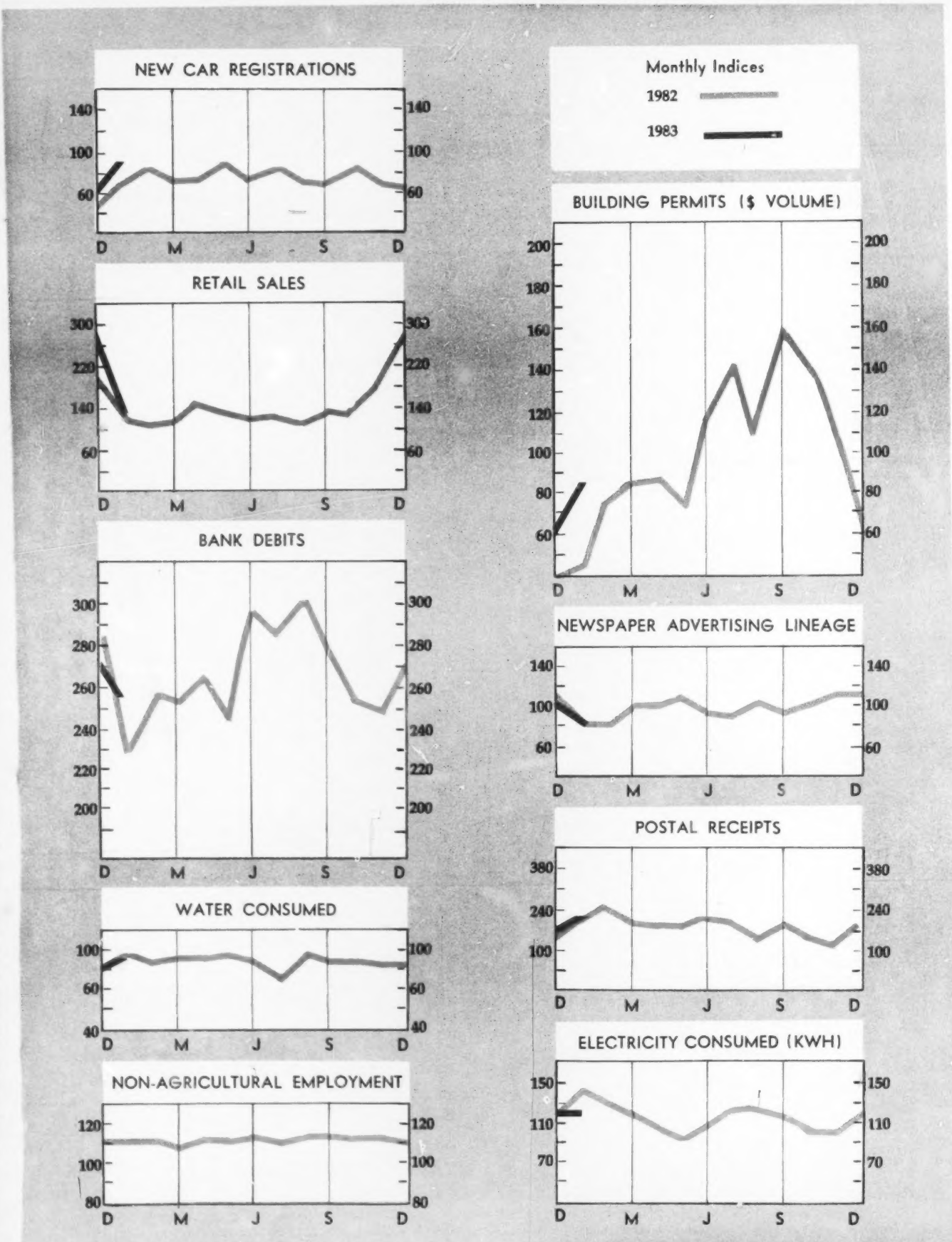
TABLE II January, 1983

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Dec. RETAIL SALES ‡
The State		11.6	82.1	-14.2	5.2	19.1	N.A.	-9.4	21.1	13.7
Alexandria	14.7	-9.8	206.4	-15.9	N.A.	45.2	N.A.	11.4	24.1	16.5
Bristol	14.2	44.1	-70.5	-17.2	7.9	46.5	N.A.	-7.1	13.0	-1.8
Cape Charles - Exmore	-7.1	9.3	1046.1	-6.4	N.A.	7.4	N.A.	N.A.	-17.6	6.6
Charlottesville	5.9	19.3	75.8	-17.1	N.A.	26.0	N.A.	-1.6	6.9	16.7
Danville	-1.0	N.A.	1228.1	-1.2	3.2	22.6	N.A.	-8.8	-7.6	5.1
Franklin	-4.0	N.A.	843.1	-4.2	1.9	-31.3	N.A.	0.2	1.8	29.3
Fredericksburg	17.4	46.4	414.9	N.A.	6.4	10.1	N.A.	-36.0	31.6	25.4
Harrisonburg	5.0	42.6	313.2	N.A.	10.8	14.6	N.A.	-14.5	-6.1	25.0
Lynchburg	14.3	60.3	25.9	-8.1	N.A.	38.7	N.A.	-9.9	6.4	3.3
Newport News - Hampton	6.5	40.4	167.5	-19.7	-5.0	-4.3	N.A.	-14.2	16.8	12.3
Norfolk - Va. Beach - Portsmouth	8.0	36.9	54.0	-15.3	7.8	-1.5	N.A.	-8.4	14.9	18.9
Petersburg	24.3	78.7	-89.9	N.A.	-0.8	62.8	N.A.	-8.4	12.6	13.6
Richmond	2.2	5.3	19.9	-16.5	-3.1	14.0	N.A.	-14.8	10.8	12.1
Roanoke	32.1	16.4	679.3	-5.0	7.9	1.7	N.A.	0.6	78.4	7.6
Staunton	9.7	32.2	263.6	N.A.	9.5	6.2	N.A.	N.A.	3.4	15.5
Williamsburg	-2.2	-16.1	124.0	-14.4	N.A.	14.5	N.A.	-16.5	5.6	16.8
Winchester	12.8	31.0	80.3	-7.4	58.1	9.4	N.A.	4.0	2.5	32.8

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.

N.A. — Not Available
0.0. — No Change



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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 275 **March, 1983**

Business in Virginia February 1983, Data

There are good months and bad months for an economy. February for Virginia's business was one of the bad ones. After some good signs in December and January, most of the economic indicators fell off. Bank debits to checking accounts (which are more generally known as checking account transactions) rose only 1.5 percent in February over a year earlier. This is one of the lowest increases in the past five years. It is a measure of the total dollar volume of business and thus is saying that the economy was off in February. To be in good shape this indicator should rise about 20 percent.

Several of the metropolitan areas, however, were in good shape in February: Fredericksburg, Harrisonburg, Lynchburg, Norfolk-Virginia Beach-Portsmouth, Petersburg, and Winchester. Richmond was a negative 2.3 percent and because of the tremendous dollar volume of its bank debits, it tended to pull the whole state average down.

Building permits, too, were not robust. They did rise 16.2 percent in February on a year-ago basis. This was a lot better than some months of last year, but not nearly the kinds of increases in the past five months. A little slowness, perhaps some tapering off. But this is a leading economic indicator and is telling about six months or so in the future.

New car registrations after healthy increase in November, December and January turned sour and fell 1.1 percent this February over last. Not that it was so great, but the direction is wrong. Sales also did not do well nationally but the auto producers seem undaunted and have increased production in March, as they are counting on a come back in sales. Both housing and cars are important to any economic upturn.

Also important are retail sales. Over the past several months they did extraordinarily well. In January they rose 21.1 percent which was a record since April of 1980. In February this time compared with the same month a year earlier they rose only 5.3 percent. This is hovering right at the rate of inflation, which is saying that sales did not even hold their own. Unless the consumer gets into the economic act and stays there, the recovery will go nowhere. Good sales lead to rebuilding inventories, which brings about increases in production, which triggers raw materials developments. All along the chain of reaction are jobs and hence more income and more purchasing. It is an upward spiral that the consumer can bring about. Even as consumers can generate a downward thrust too into a recession.

Accompanying the poor showing in retail sales was a similar behavior for newspaper advertising linage. It rose only 2.7 percent when this February is compared with that of the same month in 1982. Last month the burst in retail sales in part was due to linage being up. The old story that it pays to advertise was never more true.

Electricity consumed was down 1.7 percent in February, which is unusual. The expectation is that January will have something of a season slump, but generally February sees something of a pickup.

Postal receipts slumped by 2.4 percent in February. This is unusual, as they have been steadily increasing over the past eighteen months. Water consumption was off 4.0 percent, but this was good, as it shows conservation.

(Continued on back page)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

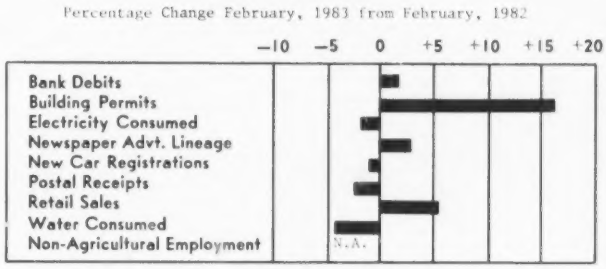
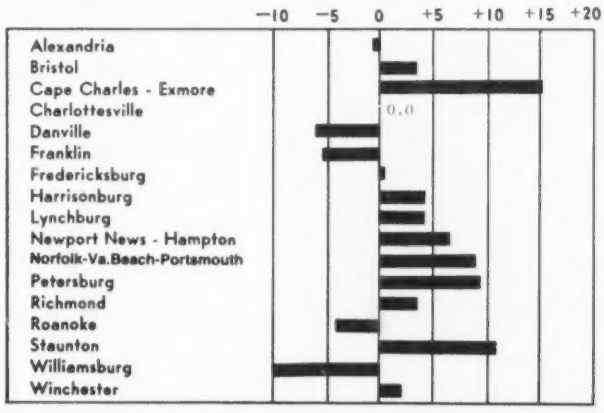


Chart II

City Indices



SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I — Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) = Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		261.0	88.5	127.9	84.6	81.8	N.A.	78.1	111.6	237.9
Alexandria	142.6	371.4	127.9	138.9	N.A.	90.6	N.A.	73.4	107.9	N.A.
Bristol	108.5	206.2	N.A.	121.2	94.2	26.1	N.A.	61.5	95.6	180.5
Cape Charles - Exmore	116.4	136.3	287.2	117.0	N.A.	57.6	N.A.	N.A.	123.1	134.8
Charlottesville	165.3	356.7	118.5	123.2	N.A.	90.3	N.A.	91.0	157.9	187.2
Danville	94.3	N.A.	47.6	95.5	74.3	61.9	N.A.	73.5	95.7	162.3
Franklin	97.1	N.A.	23.2	112.1	87.3	70.9	N.A.	63.2	93.5	162.5
Fredericksburg	114.8	146.3	133.4	N.A.	104.3	105.3	N.A.	48.6	110.9	181.2
Harrisonburg	119.4	159.4	35.1	N.A.	80.3	83.0	N.A.	112.3	118.5	164.8
Lynchburg	186.2	441.8	54.9	119.5	N.A.	72.0	N.A.	91.3	105.0	449.9
Newport News - Hampton	117.3	210.1	118.0	116.0	72.5	80.7	N.A.	92.5	122.3	N.A.
Norfolk - Va. Beach - Portsmouth	130.9	252.7	157.4	145.3	88.1	82.9	N.A.	66.7	137.1	N.A.
Petersburg	112.1	237.4	31.9	N.A.	64.6	57.5	N.A.	87.4	103.9	138.4
Richmond	118.9	268.9	N.A.	126.7	82.6	75.7	N.A.	75.7	92.3	163.7
Roanoke	115.3	181.6	11.4	97.2	93.1	54.9	N.A.	88.9	114.7	177.5
Staunton	103.7	92.6	12.7	N.A.	88.3	81.5	N.A.	N.A.	98.9	166.9
Williamsburg	105.3	100.8	38.6	147.2	N.A.	105.6	N.A.	58.7	82.6	182.1
Winchester	126.6	236.7	26.7	117.2	119.5	90.1	N.A.	102.7	94.1	190.5

TABLE II — February, 1983 — Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan. RETAIL SALES ‡
The State		1.5	16.2	-1.7	2.7	-1.1	N.A.	-4.0	5.3	3.8
Alexandria	-0.2	-18.4	-89.3	-3.2	N.A.	-3.9	N.A.	7.0	5.8	5.6
Bristol	3.0	12.9	N.A.	-8.3	-0.1	10.9	N.A.	-8.0	5.6	-5.2
Cape Charles - Exmore	15.1	-1.2	480.2	-3.9	N.A.	33.3	N.A.	N.A.	20.7	-5.0
Charlottesville	0.0	0.3	269.3	-1.8	N.A.	-12.9	N.A.	1.4	4.3	7.3
Danville	-6.1	N.A.	-50.0	1.1	9.0	-6.1	N.A.	-9.6	-12.4	-6.1
Franklin	-5.1	N.A.	354.8	5.9	-0.2	-14.6	N.A.	-27.9	0.4	-17.8
Fredericksburg	0.2	31.9	183.2	N.A.	0.5	-4.9	N.A.	-37.9	4.0	17.4
Harrisonburg	4.1	25.6	44.6	N.A.	-1.2	3.4	N.A.	-6.1	2.3	28.1
Lynchburg	4.2	40.2	-36.6	-5.2	N.A.	-9.3	N.A.	-4.4	2.6	-10.8
Newport News - Hampton	6.2	14.7	35.0	0.4	-4.7	10.6	N.A.	-2.8	10.4	0.7
Norfolk - Va. Beach - Portsmouth	9.0	30.0	64.0	1.2	6.8	-2.5	N.A.	1.3	11.7	3.4
Petersburg	9.3	49.6	-4.6	N.A.	8.4	-5.9	N.A.	-7.3	6.8	-4.3
Richmond	3.6	-2.3	0.5	-0.5	-2.9	10.6	N.A.	-10.2	11.3	9.7
Roanoke	-4.0	-10.3	-81.0	-1.7	1.6	-20.7	N.A.	3.2	-1.3	-5.2
Staunton	11.0	55.6	49.8	N.A.	4.2	7.2	N.A.	N.A.	-0.3	-3.8
Williamsburg	-10.0	-56.2	-48.6	-5.3	N.A.	17.5	N.A.	-20.9	-1.8	-3.8
Winchester	2.0	19.0	394.3	-7.8	27.7	5.9	N.A.	0.6	-9.7	-1.1

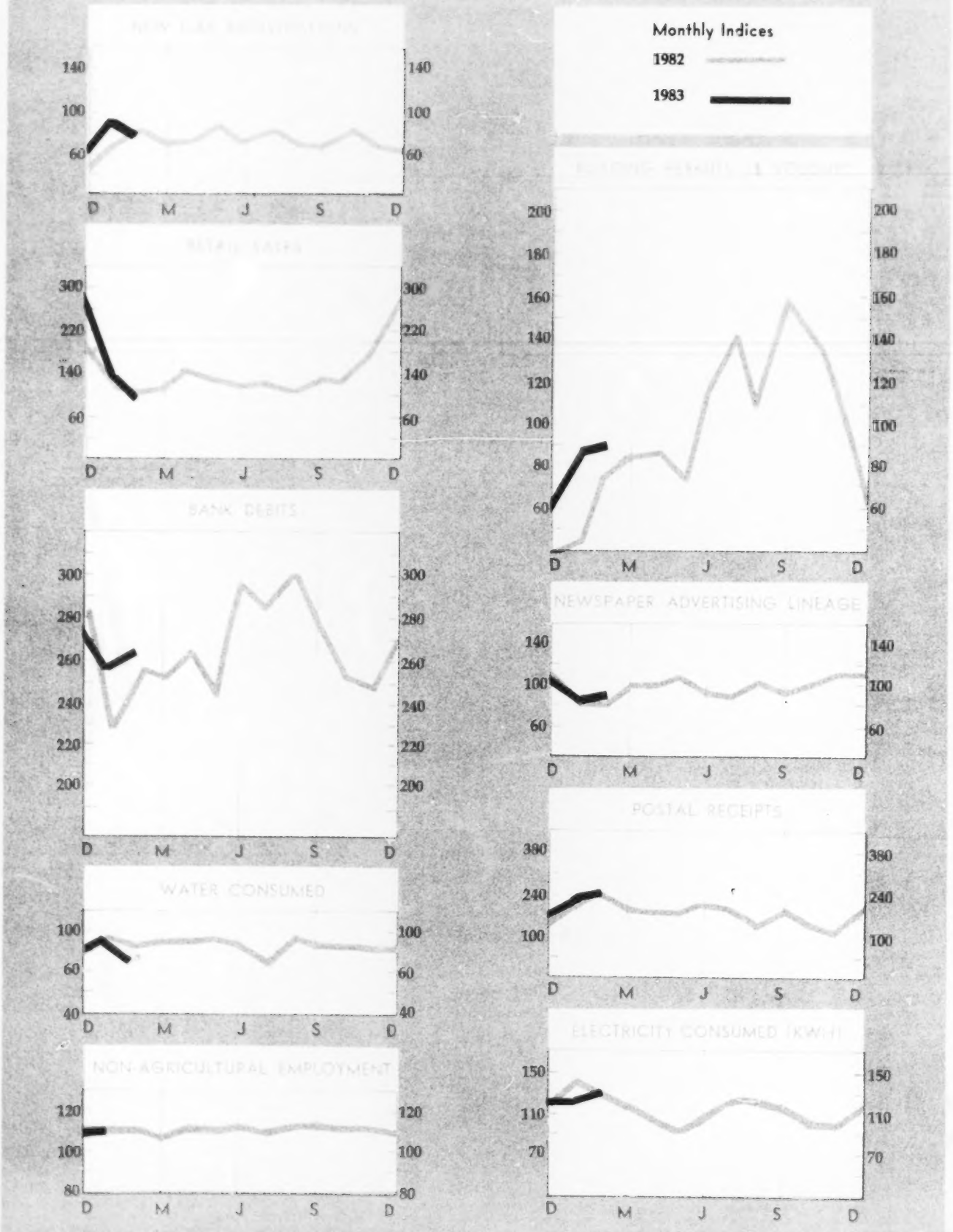
TABLE III — Percentage Change January - February from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan-Dec '82 RETAIL SALES
The State		6.6	44.5	-8.2	4.0	8.6	N.A.	-6.9	12.9	2.4
Alexandria	6.3	-13.9	-43.1	-9.9	N.A.	16.6	N.A.	9.4	14.0	7.6
Bristol	8.2	29.2	N.A.	-12.9	3.7	25.6	N.A.	-7.6	9.2	3.8
Cape Charles - Exmore	3.0	4.0	681.8	-5.2	N.A.	19.2	N.A.	N.A.	0.0	-3.3
Charlottesville	3.5	10.0	136.6	-9.8	N.A.	6.0	N.A.	-0.1	6.1	7.8
Danville	-3.6	N.A.	58.9	-0.1	6.1	7.8	N.A.	-9.2	-10.0	1.9
Franklin	-4.5	N.A.	541.5	0.3	0.9	-23.6	N.A.	-12.6	1.1	1.5
Fredericksburg	9.4	39.3	279.9	N.A.	3.3	1.7	N.A.	-36.9	19.4	4.7
Harrisonburg	4.5	34.5	169.9	N.A.	4.5	8.6	N.A.	-10.1	-2.0	7.2
Lynchburg	8.8	50.5	-9.7	-6.7	N.A.	12.1	N.A.	-7.3	4.4	-1.2
Newport News - Hampton	5.5	23.7	81.8	-7.9	-4.8	2.4	N.A.	-9.1	13.2	7.4
Norfolk - Va. Beach - Portsmouth	8.4	33.6	59.3	-7.5	7.3	-2.0	N.A.	-4.0	13.2	6.6
Petersburg	16.1	63.1	-45.4	N.A.	3.5	25.5	N.A.	-7.9	9.6	4.3
Richmond	2.8	1.5	10.5	-9.0	-3.0	12.5	N.A.	-12.7	11.1	4.7
Roanoke	14.7	12.1	51.0	-2.6	4.7	-9.1	N.A.	1.9	36.8	5.1
Staunton	10.1	41.7	172.6	N.A.	6.9	6.6	N.A.	N.A.	1.7	4.2
Williamsburg	-6.9	-40.4	33.2	-10.0	N.A.	16.0	N.A.	-18.7	1.7	0.6
Winchester	7.2	25.3	164.0	-7.6	41.7	7.7	N.A.	2.3	-4.0	3.3

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.


Monthly Indices
1982
1983
NEW CAR REGISTRATIONS
RETAIL SALES
BANK DEBITS
WATER CONSUMED
NON-AGRICULTURAL EMPLOYMENT
BUILDING PERMITS (A $ VALUE)
NEWSPAPER ADVERTISING LINEAGE
POSTAL RECEIPTS
ELECTRICITY CONSUMED (KWH)
D
M
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D

The Underground Economy

Until 1977 little was known or recognized about the phenomena known as the subterranean, the cash, or the gray economy. It surfaced that year, because a Professor Peter M. Gutmann of Bernard M. Baruch College, City University of New York, wrote an article about it in the November/December issue of the *Financial Analysts Journal*.

The title of his article was "The Subterranean Economy," but he pointed out that it had many names. Among them were all kinds of economies: gray, irregular, hidden, unrecorded, unofficial, concealed, parallel, informal, unobserved, submerged, shadow, clandestine, moonlight, twilight, second counter, off the books and back door. From all of this one can see that it involves tax evasion transactions on which little or no federal, state, or local taxes are paid and which involves crime, drugs, and the entire underworld but also the nice-elderly lady down the street from you who pays the yard man in cash and forgets to make social-security payments for the cleaning girl who comes once a week to do housework. Respectable and not-so-respectable citizens are involved.

What triggered Professor Gutmann and others to do research into this phenomena was the inordinate use of cash that was showing up suddenly in the 1970s. More and more people were using hard currency rather than leaving a paper trail through the banking system that could bring them to terms with the tax collector. The professor's first estimate of the underground economy was $176 billion for 1976, which was just over 10 percent of gross national product (GNP). The latest estimate, the one for 1981, discloses the growth of this economy. It is now up to $420 billion which is about 14 percent of GNP, especially when some checking account transactions and barter are included. In France the estimate is 25 percent. Professors C. P. Simon of Michigan State University and Ann D. Witte of North Carolina University think Gutmann too low for the U.S. With the recession deepening in 1982 and the need for tax avoidance even greater than normal, the current total in the U.S. for the underground economy is closer to $500 billion than ever before.

At first the Internal Revenue Service was agast in what Professor Gutmann had turned up. Their reaction was that his early estimates were "unduly high, implying criticism of the Bureau's collection efficiency," which he hardly cared about at all. The IRS proceeded to its own study and investigation. When their report surfaced in 1979, it showed less than the professor's did. This was an auditing procedure on the part of the IRS which used a small sample of tax returns. The interesting thing is that they did nothing about taxpayers who failed to file tax returns, but when this was done the IRS estimate came to four times that of the small-sample audit and close to the professor's.

What kind of tax losses were involved? For 1976 the early tax loss was set at about $22 billion and later revised to nearly $42 billion. For 1981 the loss stands at $104 billion and maybe more. The underground economy accounts for a 30 percent loss in federal personal income taxes alone! If Uncle Sam is to balance his budget, he could come very close by simply collecting what it owed.

The IRS detailed a number of these losses before a Congressional hearing in 1981: billions in interest income, dividends, and tips, with the largest in nonfarm income of $26 billion. Much of this concern for losses found its way into the Tax Equity and Fiscal Responsibility Act of 1982. The current uproar about dividend and interest withholding comes directly from the Hearings about the underground economy. Much of the 1982 Tax Act is probably needed despite the protests, but some is ill conceived, such as the requirement that an employer deduct 8 percent of each waitress's check for tips and so report. Where tips are low or nonexistant many waiters and waitresses have ended up earning nothing for a day's work. Other spinoffs into the 1982 Tax Act were informational reporting on payments to independent contractors, state and local income tax refunds and penalties for failing to file informational returns.

A second and perhaps very important aspect of the hearings about the underground economy is healthy skepticism about the U.S. statistical system. GNP alone is probably understated by some 15 percent. It may be even more, as Professor Gutmann estimates that about one fourth of the labor force operates in the underground economy. This means too that living standards are higher, savings greater, productivity per person is larger, unemployment lower, and population itself excessively higher (look at illegal emigrants alone as an example). Employment is 4 to 5 million larger. All sectors of the economy that have high cash usages will be understated: services (including retailing and doctors, lawyers, cabbies, farmers, consultants, dock loading, teamsters, etc.; skimming on sales taxes) and construction especially where sweetheart contracts and kickbacks are well known, plus the usual illegalities in drugs, gambling, prostitution and outright stealing from without and within businesses and government.

Stemming also from bad statistics are determinations of grants in aids, poverty levels, food stamps, aid to families with dependent children, and all welfare programs. No wonder the statistics are biased. As Professor Gutmann points out, those who are interviewed in the surveys have "no real incentive not to do so. What, for example, are they to make of the two thirds of the interviews that are conducted by telephone? Do they know who is at the other end of the line?" As Peter Reuter points out in his article in *The Underground Economy in the U.S. and Abroad*, "Economists are unique among social scientists in that they are trained only to analyze, not to collect data." How true and what a mistake.

What is the answer to this flourishing underground economy? Obviously step number one is law enforcement at all levels, particularly in tax collecting. The Reagan Administration in this regard, however, is its own worst enemy. It seeks less government and less regulation with less personnel. It therefore invites the growth of the underground economy. It has even cut out viable statistical programs so that decisions cannot be made by government or business not because of biased data, but because no date exists. The quantity and quality of the federal statistical system has suffered.

A second major need is a study — not a survey — of the underground economy. This should be mounted on the basis of a census, a complete count, not just a telephone survey in a few spotty areas.

A third movement is the tax system. The federal system is so complicated that even the IRS does not make out consistent returns. How can the educated or the uneducated or even H. and R. Block file an accurate return even if they honestly want to do so? A simple flat rate tax would clarify much of the underground economy. After an exclusion for poverty, a rate of 13 to 14 percent would yield enough revenues to balance the budget and provide incentives for savings and investments. The time has come for some changes.

LET

Prepared by the Bureau of Business Research
THE COLLEGE OF WILLIAM AND MARY
School of Business Administration
Charles L. Quittmeyer, *Dean*
Thomas A. Graves, Jr., *President*
Bureau of Business Research
Leland E. Traywick, *Director*

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 276 **April, 1983**

Business in Virginia March, 1983, Data

Business in Virginia picked up in March. It now looks as if we are back on the road to recovery after a detour in February. Bank debits to demand deposits, which are also known as checking account transactions, give a good idea of the total dollar volume of business,. This indicator was up 10.1 percent when March of this year is compared with that of a year ago. In February the increase was a terrible 1.5 percent. Even so this indicator is still below a level which could be considered robust, say 20 percent or so. All along though the recovery has been predicted in this column to be slow. It has also been thought there would be some fall backs and then some pickups. It would not be smooth. Thus far, one could say the forecasts are right on target.

Coming on much stronger too in March were building permits. On a year-to-year basis they rose 36.6 percent in March, but in February had been up only 16.2 percent. Since the permits are a leading economic indicator, they are saying that down the road some six months or so the construction business will be healthy. This applies to both residential and commercial properties. Strength lies in this indicator, since it has been rising nicely ever since October of last year with the exception of February of this year. For the first quarter of this year permits are up a very good 40.5 percent when compared with the same period of a year ago. As money gets spent in construction, bank debits will pick up also later on

On another cheerful note were new car registrations. They had picked up beginning in November and December of last year. In fact they were the only two months in which they really got in the black. January too was a good month with a rise of 19.1 percent over January of 1983. But February fell by the wayside. There was a decrease. In March, we see a return to good times. The black figures returned and the increase was 16.6 percent over March of last year. For the quarter the rise was 12.0 percent. A year ago the quarterly figure was a negative 25.0 percent. This shows the dramatic turnaround. Leaders on the roads to recovery for all the business cycles since World War II have been both new car sales and housing starts. We seem to be led by them this time too.

Retail sales returned to a healthy figure. They rose 15.9 percent in March over a year earlier. In February the increase had only been 5.3 percent. January though was so far this year the robust one, as it rose 21.1 percent. For the first quarter of this year the upward movement is 13.9 percent. A year ago it was only 1.7 percent.

Newspaper advertising linage was up 5.0 percent for the month of March and 6.7 percent for the quarter. Most of last year it had been slow and had actually declined 1.8 percent in comparison with 1981. Perhaps the truth was it did not pay to advertise then, but it is paying better now.

Electricity consumed was slow with only an increase of 0.5 percent and an actual negative 5.5 percent for the quarter. This is good from a standpoint of conserving energy but not so good for turning the wheels of business and industry.

Nonagricultural employment showed no growth at all either for the month or the quarter. Water consumpton was down 6.2 percent (no wonder all the rains) and postal receipts were up 7.1 percent for March and 4.2 percent for the quarter.

(Continued on the back page)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change March, 1982 from March, 1983

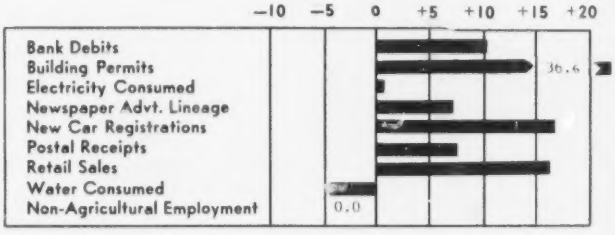
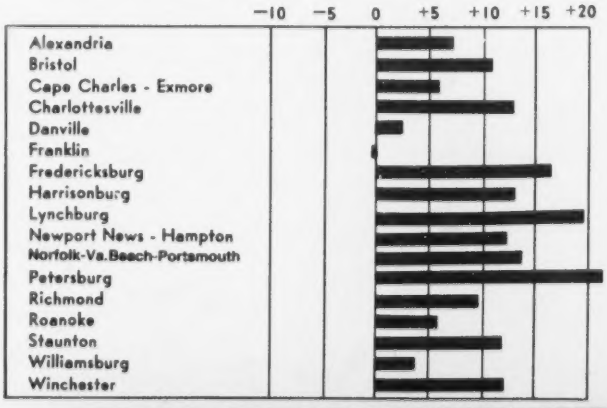


Chart II

City Indices

Percentage Change March, 1982 from March, 1983



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SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I March, 1983

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		280.5	116.1	92.7	106.4	87.1	109.8	84.4	134.3	198.1
Alexandria	160.9	467.0	260.7	124.1	N.A.	94.6	122.5	83.7	131.8	N.A.
Bristol	125.1	248.4	90.5	105.3	98.4	64.2	N.A.	57.9	103.5	241.5
Cape Charles - Exmore	123.8	153.2	214.6	105.7	N.A.	52.7	N.A.	N.A.	128.9	168.1
Charlottesville	147.4	204.1	490.8	108.1	N.A.	89.0	N.A.	91.8	170.3	175.4
Danville	86.1	N.A.	812.7	101.1	129.5	82.4	N.A.	75.1	44.0	168.3
Franklin	112.3	N.A.	15.1	100.1	117.0	78.7	N.A.	94.3	113.2	168.8
Fredericksburg	142.7	206.7	136.5	N.A.	97.8	126.1	N.A.	68.8	162.1	156.2
Harrisonburg	144.4	191.3	235.6	N.A.	142.2	76.7	N.A.	111.9	143.8	201.9
Lynchburg	197.3	530.4	557.6	115.8	N.A.	82.6	N.A.	108.6	133.8	339.3
Newport News - Hampton	110.0	199.1	80.1	106.5	86.1	79.2	103.4	100.4	105.0	N.A.
Norfolk - Va. Beach - Portsmouth	136.5	236.0	27.1	116.0	107.9	86.3	115.6	40.9	168.6	N.A.
Petersburg	121.5	242.9	56.4	N.A.	76.6	53.3	N.A.	98.8	117.8	147.0
Richmond	127.0	280.6	N.A.	116.1	96.2	87.9	110.9	88.5	106.8	169.7
Roanoke	126.5	203.4	53.5	95.7	127.7	66.7	103.3	98.2	131.0	180.4
Staunton	122.6	140.2	55.3	N.A.	124.1	67.3	N.A.	N.A.	113.0	187.8
Williamsburg	125.0	154.9	119.4	132.8	N.A.	96.8	N.A.	66.2	119.3	191.7
Winchester	140.6	288.6	67.1	121.8	152.5	106.5	N.A.	120.7	105.7	158.3

TABLE II March, 1983

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Feb. RETAIL SALES ‡
The State		10.1	36.6	0.8	6.7	16.6	0.0	-4.9	15.9	8.4
Alexandria	6.6	-20.0	127.7	-0.1	N.A.	5.2	3.2	3.2	20.4	13.7
Bristol	10.1	20.5	62.7	-2.6	-1.8	45.8	N.A.	-0.9	6.7	-10.9
Cape Charles - Exmore	5.7	31.4	38.1	-4.4	N.A.	0.0	N.A.	N.A.	2.3	18.5
Charlottesville	12.5	14.2	3.8	1.1	N.A.	27.2	N.A.	-2.2	15.7	5.9
Danville	2.3	N.A.	0.0	5.9	26.5	44.6	N.A.	-11.2	-16.6	9.3
Franklin	-0.1	N.A.	-76.2	-5.3	0.6	0.0	N.A.	-8.2	4.1	30.1
Fredericksburg	16.2	40.7	18.7	N.A.	10.5	27.6	N.A.	-38.3	24.3	-3.0
Harrisonburg	13.0	38.6	792.4	N.A.	9.1	11.3	N.A.	3.8	9.3	43.4
Lynchburg	19.6	42.8	616.7	-0.3	N.A.	27.0	N.A.	-1.9	23.2	1.1
Newport News - Hampton	12.4	30.5	-23.4	1.2	-8.1	40.4	2.9	-2.3	15.6	5.5
Norfolk - Va. Beach - Portsmouth	13.0	11.1	27.9	0.6	9.2	21.9	1.6	-6.7	28.8	8.1
Petersburg	21.8	50.2	218.8	N.A.	8.9	44.4	N.A.	-1.6	17.0	17.7
Richmond	9.4	10.3	49.1	0.8	-0.3	23.6	-0.5	-6.9	19.3	10.2
Roanoke	5.4	-7.2	146.5	4.9	14.5	17.7	0.4	4.1	4.7	10.8
Staunton	11.8	46.0	154.9	N.A.	10.7	-4.2	N.A.	N.A.	6.0	3.8
Williamsburg	3.5	14.4	172.7	-0.6	N.A.	20.2	N.A.	-21.5	13.6	22.2
Winchester	11.7	16.6	-11.2	5.9	23.1	42.4	N.A.	6.2	-0.1	24.4

TABLE III

Percentage Change January - March from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Feb. RETAIL SALES
The State		7.8	40.5	-5.5	5.0	12.0	0.0	-6.2	13.9	6.0
Alexandria	6.1	-16.2	-4.3	-7.0	N.A.	11.4	3.5	7.2	16.5	9.5
Bristol	9.0	25.9	-41.9	-9.9	1.8	34.3	N.A.	-5.5	8.4	-8.0
Cape Charles - Exmore	3.4	12.2	251.2	-4.9	N.A.	10.5	N.A.	N.A.	0.8	5.8
Charlottesville	6.7	11.5	27.4	-6.6	N.A.	14.6	N.A.	-0.9	9.4	6.6
Danville	-1.3	N.A.	21.1	1.8	13.8	22.1	N.A.	-9.9	-12.4	1.1
Franklin	-2.7	N.A.	25.1	-1.4	0.8	-14.1	N.A.	-11.1	2.2	0.6
Fredericksburg	12.0	39.9	126.5	N.A.	5.9	12.1	N.A.	-37.4	21.1	6.7
Harrisonburg	7.5	35.9	398.1	N.A.	6.4	9.7	N.A.	-5.6	2.0	35.3
Lynchburg	13.2	47.7	202.8	-4.7	N.A.	18.3	N.A.	-5.4	12.2	-5.5
Newport News - Hampton	7.8	26.0	16.8	-5.1	-6.0	15.9	3.3	-6.9	14.3	3.0
Norfolk - Va. Beach - Portsmouth	9.4	25.2	44.5	-5.1	8.0	7.2	1.5	-4.9	17.5	5.7
Petersburg	18.3	58.5	11.8	N.A.	5.4	32.1	N.A.	-5.9	12.6	6.2
Richmond	5.0	4.6	17.3	-6.1	-2.1	17.1	-0.4	-10.8	14.3	10.0
Roanoke	10.7	9.0	72.9	-0.2	8.4	1.3	0.2	2.6	25.1	2.0
Staunton	10.5	43.1	167.4	N.A.	8.3	2.1	N.A.	N.A.	3.1	-0.5
Williamsburg	-3.2	-32.1	65.9	-7.2	N.A.	17.7	N.A.	-19.7	6.3	6.1
Winchester	8.8	22.1	26.0	-3.3	34.0	21.3	N.A.	3.7	-2.6	10.3

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

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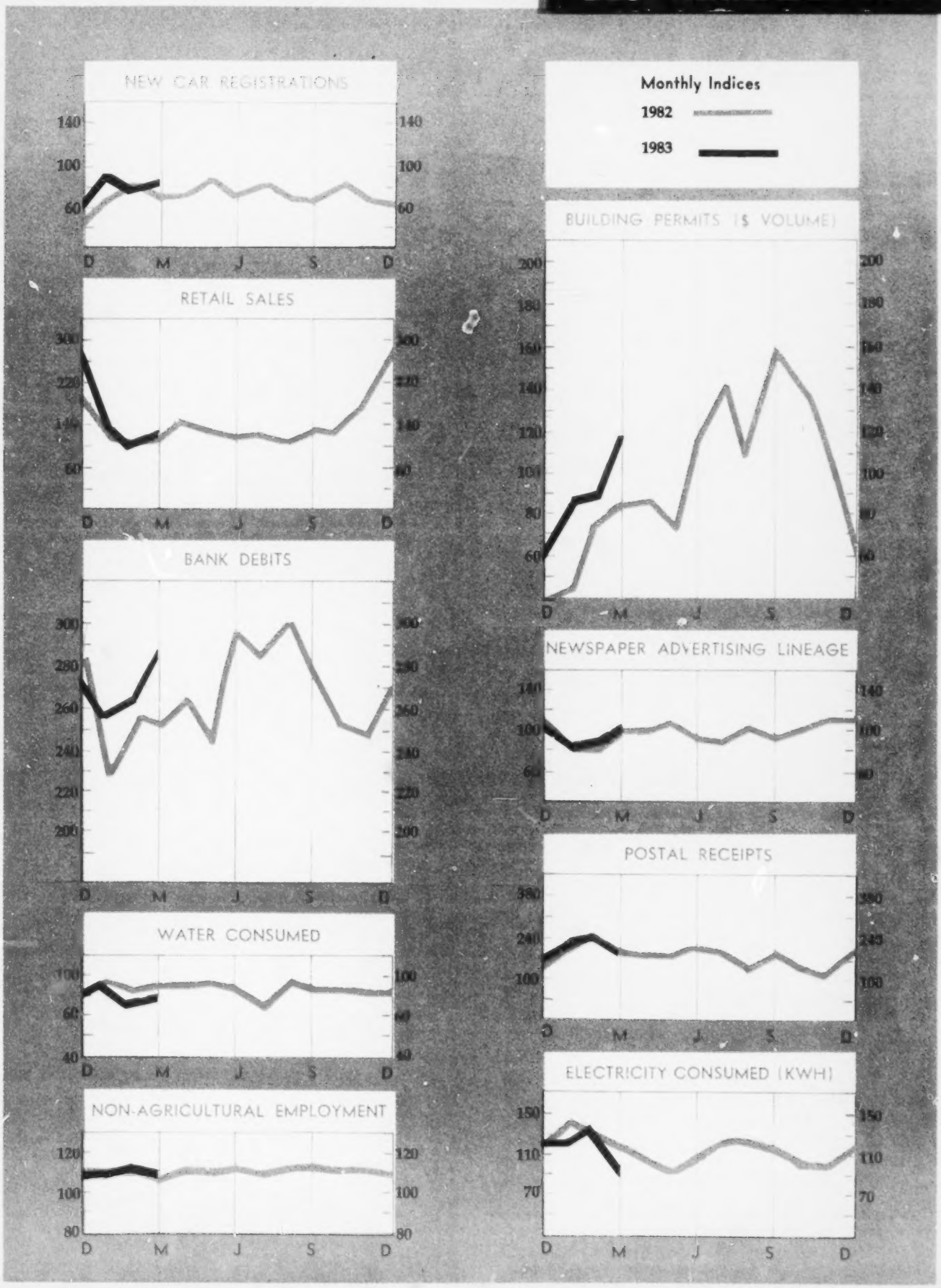

Williamsburg's Summit

The ninth economic conference of the heads of state of the Western World and Japan will be held in Williamsburg, Virginia, May 28-30, 1983. This is undoubtedly a trite statement for many persons in eastern Virginia and especially Williamsburg citizens who are bracing for the event. Others, however, may not be so knowledgeable about the details or the substantive part of the Summit.

There is to be an agenda for the discussions but no final communique. President Reagan feels it is a waste of time trying to draft some words that would be meaningful and that all could endorse. Anyone who has tried to have a committee write a letter or an essay knows the problem,

Last year at the Versailles, France, Summit the discussions centered around the global economic situation, international trade, East West economic relations, and energy. All of these topics survive currently except the latter.

This year the United States has set the agenda and as Leonard Silk of the New York Times News Service reports it reflects the monetarist and laissez-faire philosophy of the three U. S. officials who have been doing the planning.These three are Beryl Sprinkel, under secretary of the Treasury, and Lawrence Kudlow, chief economist of the Office of Management and Budget.

The succession of days is most interesting. Day 1: A review of economic conditions in the industrial world. This is unlikely to lead to antirecession actions, as the recovery phase of the business cycle appears to be underway here. The U. S. often serves as the engine that drives other economies of the Western World. There may, however, be an establishment of a new mechanism for "joint surveillance" of national economies. Perhaps consequence steps for action may follow and perhaps not.

Day 2: A discussion of international trade. Most likely national leaders will praise free trade, denounce protectionism, but will leave themselves free to adopt defensive measures deemed politically or economically essential under conditions of high personal and industrial capacity unemployment.

Day 3: A debate about East-West trade. President Reagan is eager to press for measures to restrict Soviet access to Western technology and equipment, to hamper the Soviet economy and reduce its military capabilities. The European heads of state, however, are still hurt about President Reagan's effort after the Versailles Summit to upset their contracts to help build the Soviet natural-gas pipeline.

The obvious reason that these topics look so much like those of a year ago is that they are basic and are persisting. If there is a Summit next year, will such an agenda be duplicated again? Most likely, as these problems will not be solved in this session.

Leonard Silk, however, goes on to quote Professor Robert Mundell of Columbia University, a leading international economist. He contends that there are five key problems of the industrial countries that should be on the agenda: (1) the international slump with its high unemployment, (2) the instability of internationally traded commodities, (3) stagnation in six of the seven countries with only Japan growing at a reasonably good rate, (4) high real interest rates, and (5) a world debt crisis.

Mundell maintains that all five problems are interrelated and have major political and national-security ramifications for the Western alliance and the rest of the world. In all this he sees a disordered world monetary system. He claims that the floating exchange rates and monetarism have been failures. He argues for a return to the Bretton Woods agreement after World War II in which fixed exchange rates were established. Unfortunately, the fixed rates proved to be a disaster and provoked overvalued and undervalued currencies when the various states would rush into the foreign exchange markets to buy or sell their own or other currencies to protect themselves. It soon became manifest that the nation with the biggest treasury would dominate the exchanges.

Accordingly what happened was a move to the floating rates which in essence let the free markets of the world determine what the price of the exchange rates should be. It was a move away from economic dictatorships of the financially powerful.

In addition Mundell argues for a return to a gold standard. It would be interesting to hear this debated at the Summit. President Reagan would like to see a return to the gold standard. But there is a re-entry problem. What is to be the price of gold? Either it can be allowed to float with the market or it can be fixed at a specific value. If it floats and rises and falls, then no advantage accrues, as there would be instability in the system. If the price is fixed, then the general price level could not soar or fall. The difficulty is fixing the price of gold. Should it be pegged at $35 per ounce or $300 or how about $875 where it was January, 1980?

If the price is too high then a flood of gold would bring on inflation. If too low, then a run on U. S. stocks would occur with consequent deflation, protectionism and all sorts of disruptions in international trade. Price fixing is perilous. Furthermore, do we really want a gold standard? It would put us in the hands of Russia and South Africa which are the major gold producers. Gold production is not stable nor is a monetary system tied to it.

One would hope that Professor Mundell's thinking will not prevail in Williamsburg. His hint is true that because of the uncertainty in the international money markets and because of the terrible international debts of Mexico, Argentina, Brazil, Poland, etc., something needs to be done. But it is not fixed rates a la Bretton Woods nor a fix on gold. It is the international bankers that need to be restrained, if they cannot do it for themselves.

Of immediate interest is the economic impact of the Summit on Williamsburg itself. It is a small town (a little over five square miles in area) and a population of 9870 by the last census. The news media report various numbers of attendees. They range from 4500 to 6000 reporters and from 1000 to 1500 in the entourages of each of the heads of state. The range of the total is between 11,500 to 16,500. The total number of hotel rooms in town is about 6500. Yet, a recent press report shows vacant rooms among the smaller accommodations.

Summit planners have picked $8 million as the total cost of the conference. They picked this, because this is what it cost Canada two years ago. Oh, well. We shall see. LET

Prepared by the Bureau of Business Research
THE COLLEGE OF WILLIAM AND MARY
Thomas A. Graves, Jr., *President*
School of Business Administration
Charles L. Quittmeyer, *Dean*
Bureau of Business Research
Leland E. Traywick, *Director*

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 277 **May, 1983**

Business in Virginia April, 1983 Data

Business in April did exceedingly well in some areas, such as new car registrations, electricity consumed, building permits and nonagricultural employment. In some other ways conditions were just fair.

The big news was in new car registrations which soared to a record increase of 74.5 percent over April of last year. Some of this perhaps needs to be taken with a small grain of salt. This is not to remove the bloom, but it is to say that a year ago auto sales were in the doldrums. For nearly the entire year they were negative, sometimes terribly so. Only in November and December did they turn around and get into the black. Thus, a good increase such as in April will tend to be somewhat overstated, since it is being compared with a terrible April a year ago. Even so it is great to see this upturn. It is indicative of some strength in the recovery. Both auto sales and housing starts have played a large role in all of the turning points in the recessions since World War II.

Building permits likewise came in strong in April of this year over a year earlier. They rose 67.8 percent in that month and for the first four months of this year they were up 47.6 percent. This too is a good record and speaks well of the future of construction. They are a good leading economic indicator, as the permits come first and the construction put-in-place follows later.

Electricity consumed rose very nicely in April with an increase of 8.1 percent. For some reason the first three months of this year saw a decline of 5.5 percent in electricity consumed. Perhaps the wheels of business and industry were just not turning as fast as anyone would like.

Nonagricultural employment took a turn for the better in April. During the first three months of this year this indicator just went no where. It was right on dead center of zero and neither rose nor fell. In April, however, it increased 0.2 percent. Granted this is not all that great but the direction is right and the Virginia jobs market is beginning to move along a positive pathway. Much of the year 1982 was under this April figure and even negative at times. Since employment lags in the upturns of the business cycle, it now looks as if progress is being made.

Retail sales this April over last were up 11.3 percent. This was not quite as good as January and March, but definitely better than the rate of inflation, which on a year-ago basis was running about 3.8 percent in April. This means that the "real" (inflation adjusted) movement was upward almost five percentage points. Furthermore, on a national basis retail sales were up only 6.5 percent. This is nothing to be deprecated, but it is to say that Virginia is doing quite well. Since consumers lead in a recovery, it appears that the upturn is on track both at home and abroad.

On the slow side, however, are checking account transactions. They were up only 12.4 percent this April over a year earlier. This will undoubtedly improve as the recovery pushes ahead and although it is stronger than the March data some weakness still persists.

Newspaper advertising linage was off 3.4 percent (a bit unusual considering the upturn in retail sales), postal receipts were up a healthy 8.1 percent and water consumption fell 7.8 percent (lots of rain in April).

(Continued on the back page)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change April, 1982 from April,

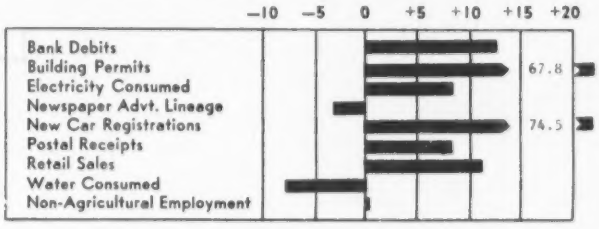
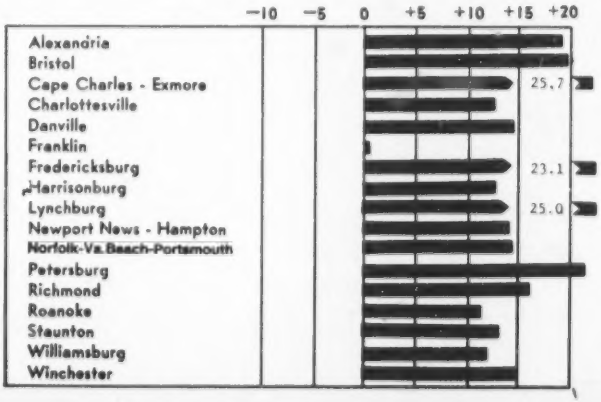


Chart II

City Indices

Percentage Change April, 1982 from April, 1983



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I April, 1983

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		300.7	146.7	113.4	96.3	134.7	110.5	82.5	128.8	189.9
Alexandria	156.2	299.6	770.4	117.4	N.A.	144.4	123.4	81.9	160.9	N.A.
Bristol	112.5	203.0	47.9	105.1	70.6	43.5	N.A.	87.6	98.2	207.8
Cape Charles - Exmore	129.5	160.6	156.9	103.4	103.4	119.6	N.A.	N.A.	139.3	131.4
Charlottesville	176.1	194.4	89.5	106.2	N.A.	136.1	N.A.	107.6	227.2	183.2
Danville	121.3	N.A.	62.7	98.2	96.3	112.0	N.A.	86.8	137.1	165.5
Franklin	114.5	N.A.	11.1	95.4	106.5	121.2	N.A.	89.5	117.0	152.6
Fredericksburg	167.6	187.7	32431.0	N.A.	125.8	171.8	N.A.	51.1	204.0	192.2
Harrisonburg	146.9	176.2	15.1	N.A.	146.9	102.7	N.A.	109.5	154.8	175.7
Lynchburg	218.6	505.6	82.5	109.0	N.A.	149.4	N.A.	103.4	133.0	482.2
Newport News - Hampton	130.5	219.7	81.8	99.0	83.8	119.0	117.3	99.1	145.4	N.A.
Norfolk - Va. Beach - Portsmouth	157.7	203.4	120.1	121.2	104.2	136.6	116.5	62.4	224.9	N.A.
Petersburg	131.3	204.6	33.1	N.A.	70.9	100.1	N.A.	122.9	136.8	141.6
Richmond	147.5	310.1	N.A.	125.2	96.0	133.4	112.2	78.6	150.7	167.2
Roanoke	137.4	233.3	163.2	91.4	120.0	98.2	103.7	94.9	146.6	192.4
Staunton	120.6	107.4	87.9	N.A.	107.7	90.7	N.A.	N.A.	124.8	164.2
Williamsburg	135.6	N.A.	178.8	133.4	N.A.	154.3	N.A.	77.7	125.2	208.4
Winchester	149.3	305.2	75.5	108.8	147.6	136.7	N.A.	104.8	110.7	208.5

TABLE II April, 1983

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	March RETAIL SALES ‡
The State		12.4	67.8	8.1	-3.4	74.5	0.2	-7.8	11.3	8.9
Alexandria	18.4	12.0	791.7	6.4	N.A.	59.4	3.4	7.4	19.4	5.8
Bristol	19.5	13.6	-69.9	11.4	-28.5	114.3	N.A.	34.8	3.5	-1.4
Cape Charles - Exmore	25.7	13.6	-37.6	3.5	N.A.	100.0	N.A.	N.A.	12.4	12.7
Charlottesville	12.6	2.2	24.0	3.3	N.A.	62.6	N.A.	-9.1	9.7	14.3
Danville	14.7	N.A.	-42.9	5.0	9.2	129.6	N.A.	-4.3	-12.1	17.6
Franklin	0.1	N.A.	-87.2	4.5	-1.0	52.9	N.A.	-10.7	-14.9	-9.3
Fredericksburg	23.1	38.5	582.5	N.A.	6.9	83.2	N.A.	-37.2	23.4	11.8
Harrisonburg	12.4	15.8	3441.9	N.A.	6.1	69.7	N.A.	-6.7	0.6	32.6
Lynchburg	25.0	33.5	-44.5	3.2	N.A.	120.4	N.A.	-16.0	11.3	8.9
Newport News - Hampton	14.3	22.0	37.9	5.4	-18.0	58.3	3.3	-2.4	19.9	11.0
Norfolk - Va. Beach - Portsmouth	14.8	2.4	46.7	5.5	-0.2	94.0	2.0	-13.8	14.4	14.0
Petersburg	21.3	58.6	-14.0	N.A.	-2.2	77.5	N.A.	2.8	4.2	17.3
Richmond	16.0	9.6	-48.0	21.3	-1.7	83.3	0.3	-10.9	13.9	7.4
Roanoke	11.0	4.7	185.3	4.3	-5.1	75.6	0.5	1.0	5.9	9.3
Staunton	12.9	13.8	-54.2	N.A.	-2.1	59.5	N.A.	N.A.	2.1	7.0
Williamsburg	11.3	N.A.	3257.7	1.8	N.A.	65.2	N.A.	-15.2	5.3	56.8
Winchester	15.0	13.4	63.8	2.2	20.4	103.4	N.A.	0.7	-6.7	15.8

TABLE III

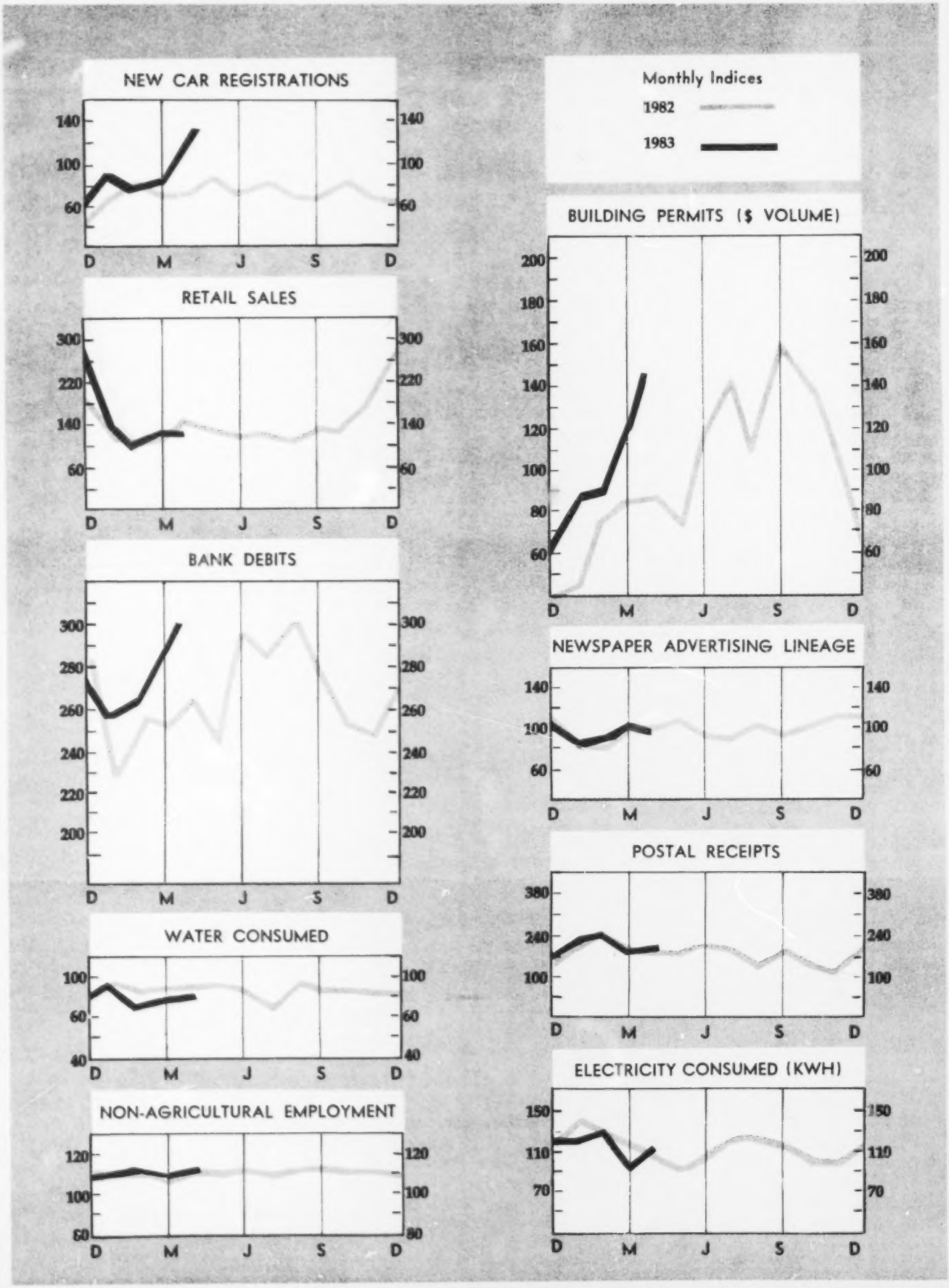
Percentage Change January - April from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Mar. RETAIL SALES
The State		8.8	47.6	-2.6	2.9	19.3	0.1	-6.6	13.3	7.0
Alexandria	8.4	-12.6	111.6	-4.3	N.A.	21.1	3.5	7.2	17.3	8.2
Bristol	11.4	22.8	-41.3	-5.7	0.1	48.1	N.A.	4.9	7.1	-5.9
Cape Charles - Exmore	8.4	12.6	100.8	-3.1	N.A.	28.9	N.A.	N.A.	4.0	8.1
Charlottesville	7.7	9.0	27.1	-4.5	N.A.	23.8	N.A.	-3.1	9.5	9.0
Danville	1.3	N.A.	3.5	2.6	12.5	39.1	N.A.	-8.4	-12.3	6.4
Franklin	-3.2	N.A.	-34.7	-0.2	0.3	-1.6	N.A.	-11.0	-3.4	-2.8
Fredericksburg	18.7	39.5	215.9	N.A.	6.2	25.8	N.A.	-5.9	21.8	8.4
Harrisonburg	7.9	30.4	521.1	N.A.	6.3	19.7	N.A.	-5.9	1.6	34.4
Lynchburg	15.1	43.9	105.5	-2.9	N.A.	37.4	N.A.	-8.4	12.0	-0.8
Newport News - Hampton	9.1	24.9	21.8	-2.9	-9.5	24.1	3.3	-5.8	15.8	5.6
Norfolk - Va. Beach - Portsmouth	10.5	21.6	45.1	-2.9	5.7	22.0	1.6	-7.1	17.9	8.5
Petersburg	18.7	58.5	4.9	N.A.	3.4	42.0	N.A.	-3.9	10.2	9.9
Richmond	7.0	3.6	-11.7	-0.3	-2.0	30.0	-0.2	-10.8	14.2	9.1
Roanoke	4.5	8.6	115.2	0.8	4.4	-36.6	0.2	2.2	20.4	4.3
Staunton	9.8	34.2	7.4	N.A.	5.3	10.8	N.A.	N.A.	2.8	1.8
Williamsburg	8.1	N.A.	80.4	-5.1	N.A.	27.1	N.A.	-18.4	6.0	21.2
Winchester	9.4	19.6	38.2	-2.0	30.0	36.0	N.A.	3.0	-3.8	12.1

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.


NEW CAR REGISTRATIONS
140
100
60
D
M
J
S
D
RETAIL SALES
300
220
140
60
BANK DEBITS
300
280
260
240
220
200
WATER CONSUMED
100
60
40
NON-AGRICULTURAL EMPLOYMENT
120
100
80
Monthly Indices
1982
1983
BUILDING PERMITS ($ VOLUME)
200
180
160
140
120
100
80
60
NEWSPAPER ADVERTISING LINEAGE
POSTAL RECEIPTS
380
240
100
ELECTRICITY CONSUMED (KWH)
150
110
70

Is Monetarism Dead?

A profuse discussion of monetary policy has errupted in the wake of economic and financial developments in 1982 as well as early 1983. The arguments in favor of the demise of monetary impacts stem largely from its impotence in 1982 and the restructuring of deposit accounts which makes monetary targets unclear.

The reply to both of these aspects is simply that this is only a temporary affair and barring any further reconstructions monetary policy will continue to have an overwhelming influence on the U.S. and world economies.

Monetary policy has for years had tremendous impacts on recessions and prosperity phases of the business cycle. The theory rests largely on the equation of exchange which in its simple form says that money of all kinds (cash, checking accounts, credit, etc.) times the velocity of money (rate of spending) is equal to the prices of all goods and services times the quantities of these transactions. The formula is stated very simply: $MV = PT$

For years it was thought that the "V" in the equation was not very significant, because velocity remained relatively constant. Likewise the "T" was thought to be slow in changing as the quantities of these enormous transactions all over the country were likewise stable. Therefore, the great influence was money on prices. If "M" grew rapidly, because of the actions of the Federal Reserve System (Fed), then prices would respond quickly and inflation would ensue. To the contrary if the quantity of money declined (Fed actions) then "P" would fall likewise.

Studies at the University of Chicago by Milton Friedman and Anna J. Schwartz as well as others have shown the lag in responses. In general an increase in the supply of money will bring about an upward movement in output (production and employment) about six months later. With prices, however, the delay is closer to eighteen months (they are sticker and do not move rapidly).

The influence on the business cycle is remarkable, given these lags. For example an expansion in the money supply took place from April, 1980, to April, 1981. The economy expanded from July, 1980, to July, 1981. There was considerable constriction of the money supply by the Fed from April, 1981, through October, 1981. The recession of 1981-82 began in earnest and continued until the beginning of 1983. This was not supposed to have happened. When the Fed saw what it was doing in the fall of 1981 (bringing on the recession), it began in December of 1981 and January of 1982 to try to turn things around. The money supply was increased slowly and then at an excessive rate. Targets for the increases were at 5½ percent. By January the increase was running at a rate of 23 percent! This eased off shortly thereafter as interest rates began to rise out of fear of the return of inflation. Even so, the economy should have picked up by late spring or early summer. It did not.

The reason lay in the decline in the velocity of money, a phenomena that does not often occur. The only previous year when it became negative besides 1982 was 1954. Now this does not mean that velocity does not change as originally thought. It does rise and fall with the periods of prosperity and recession. But it hardly becomes negative. The reason for such a harsh decline in 1982 was the intensity of the recession. Before the year was out business failures would climb to their highest level since the great depression, industrial capacity utilization would decline to its lowest percentage of usage and unemployment would reach a level comparable only with 1941. Was it any wonder that people slowed their rate of buying. Forecasters did not take this into account, however, and they missed their expectations that the economy would recover beginning late spring or early summer and most especially with the Reagan tax cut and Social Security payments July 1st. Out of fear the preponderance of that money was saved.

Hence, since there was no recovery the hue and cry went up that monetarism was dead. It had lost its power and could not be counted on to influence the business cycle. Therefore other measures had to be invoked to control the economy, such as fiscal policy (government spending and taxing power).

The fallacy of all of this does not lie in monetarism but in the forecasters who did not read the signs of the times and that includes the Fed. They of all people should have seen the decline in the velocity of money and should have taken corrective action. Such as? Forced interest rates down and continued the increase in the supply of money. This is what they finally got around to doing in the fall of 1982 and stopped the recession by the end of the year.

Although monitarist policy makers were impotent for most of 1982, monetarism did not die nor is it in process of a demise, because of the restructuring of deposit accounts. At the turn of the year the Depository Institution Deregulation Committee which was established by the Congressional Depository Institutions Act of 1982 ordered two new accounts be established by commercial banks. One was the Money Market Deposit Accounts (MMDA) and the other was the super-NOW accounts. MMDA became effective December 14, 1982, as the banks answer to money market mutual funds (MMMF). NOW accounts (negotiated orders of withdrawl) had been previously authorized and the super-NOW accounts added to them by saying there was unlimited checking (MMDA has limits) and unlimited interest rates. Super-NOW became effective January 4, 1983.

These accounts add a new dimension to monetary targets and hence controls of the money supply. M1, which the Fed watches closely, consists of currency and all checkable accounts. M2, also watched closely, includes M1 as well as small savings, overnight repurchase agreements, some overnight Eurodollars, and balances of MMMFs. The new accounts change the way in which deposits are made. M1 can appear to be ballooning when actually money is only being moved from a savings account to a checkable account with no net change in M2. Thus, M1 is not a reliable guide. But M2 still has reliability and so does M3 (M2 plus big savings accounts). Just because M1 does not have all the reliability it once had does not mean that monetarism is dead. There are other measures and other targets for controlling the supply of money.

Problems do abound, however. The important issue now is whether the Fed should respond to the increased demand for more money in circulation or should diminish it. Can it fight inflation, keep the recovery going, help stabilize world monetary conditions, and dampen the federal deficits all at once? Monetary policy is not dead. It just has its work cut out for it. LET

Prepared by the Bureau of Business Research
THE COLLEGE OF WILLIAM AND MARY
Leland E. Traywick, *Director*

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VIRGINIA BUSINESS REPORT

Note: No July issue of the Business Report

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 278 **June, 1983**

Business in Virginia May, 1983, Data

The economic recovery has arrived in Virginia. Almost all of the business indicators testify to it. Most important are checking account transactions which have up until now been in the doldrums for the most part. This time, though, when May of this year is compared with that of a year earlier, they rose 24.8 percent. As the slang statement would have it, "This is getting in the groove." These transactions, which are also known as bank debits to demand deposits, give an idea of how the total dollar volume of business is behaving. The year-to-date figure of these debits shows only an increase of 9.1 percent. The sluggishness of earlier months is thus apparent.

Also on the good side of the ledger are building permits. They were up 55.0 percent this May over last. Year-to-date shows 49.1 percent. This is a leading economic indicator, as obviously the permit comes first and the construction put in place later. What this barometer is saying, then, is that for the next six months or so the construction business in the Old Dominion should be in good shape, both residential and commercial.

New car registrations rose a bountiful 23.2 percent when this May is compared with May of 1982. Not one single city had a negative number. Dealers all over should be happy people in comparison with what they went through last year. Even the comparison of the first five months of this year with the same period of last year shows an increase of 20.1 percent.

Retail sales were up 9.8 percent this May over a year ago, which is good, but not all that great. A number of months earlier this year were much better as the five month comparison shows: up 12.5 percent.

Although it may be obscure, nonfarm employment picked up in May and climbed to a healthy 0.7 percent over a year earlier. This is the job market and it is showing strength. During the first quarter of this year it rested at zero, i.e., it was neither up nor down. Just sat on dead center. Then in April it rose 0.2 percent and was on its way. Then there is something else. Latest figures for Virginia (April) show unemployment way below national averages. Only 6.6 percent while the U. S. was at 10.0 percent, both on a seasonally unadjusted basis. The Commonwealth has had a marked drop from its high point of 9.0 percent in January. A lot of good pickups in shipbuilding, textiles, etc. but still trouble in mining in southwest Virginia. Interestingly, in April only five states had lower unemployment rates than we did.

Other good indicators were electricity consumed which on a year-ago basis was up 6.9 percent. Earlier months this year were negative and the full five month comparison shows a minus 1.1. percent. But this is rapidly changing as the wheels of business and industry begin to turn.

Newspaper advertising linage rose 7.0 percent which is a good change from earlier months. Water consumption was a negative 7.2 percent. Hardly any wonder with all of the rains that have been falling all over the state. The five month average too shows a negative figure: 6.7 percent. The Post Office seems to be doing well. Their receipts were up 7.7 percent in May and 5.6 percent for the first five months of this year. With all of that going on, it makes one wonder why they want to raise postal rates in the near future.

(Continued on the back page)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change, May, 1982 from May, 1983

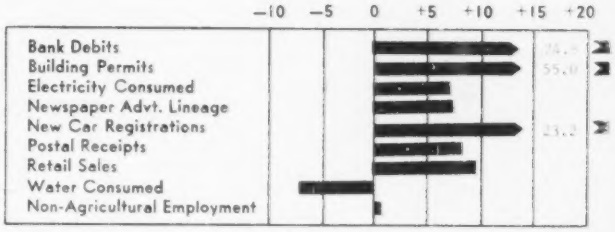
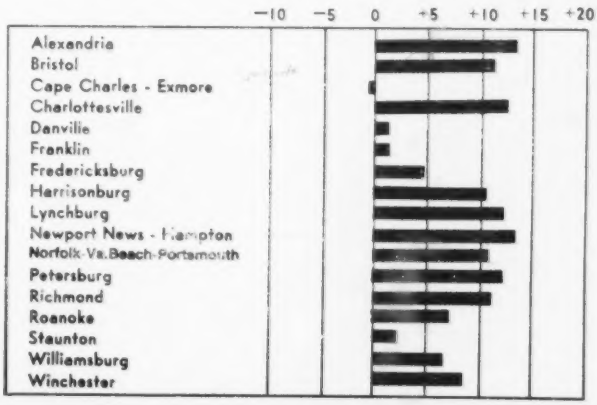


Chart II

City Indices

Percentage Change, May, 1982 from May, 1983



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I May 1983

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		307.3	115.6	101.3	115.9	111.1	111.6	87.2	145.3	186.0
Alexandria	161.8	404.7	498.2	101.9	N.A.	126.6	125.3	97.5	146.1	N.A.
Bristol	129.8	304.0	24.4	86.8	106.4	83.2	N.A.	58.5	113.0	190.4
Cape Charles - Exmore	115.7	165.1	689.1	93.0	N.A.	74.9	N.A.	N.A.	116.6	126.9
Charlottesville	179.8	232.7	143.8	102.0	N.A.	133.6	N.A.	162.8	204.7	193.0
Danville	118.6	N.A.	28.3	105.7	101.0	95.1	N.A.	70.7	140.3	155.3
Franklin	116.2	N.A.	85.1	90.7	111.3	100.5	N.A.	115.9	115.5	164.4
Fredericksburg	151.9	170.4	42.3	N.A.	134.0	134.6	N.A.	56.4	176.9	189.0
Harrisonburg	159.6	187.3	367.9	N.A.	150.3	94.4	N.A.	132.3	177.3	180.8
Lynchburg	192.1	508.2	144.0	100.6	N.A.	109.1	N.A.	93.9	124.3	351.9
Newport News - Hampton	127.8	143.7	150.2	85.0	101.2	87.3	124.1	117.6	163.9	N.A.
Norfolk - Va. Beach - Portsmouth	150.2	254.2	165.9	99.2	111.3	105.0	115.4	68.8	199.4	N.A.
Petersburg	126.7	234.8	69.9	N.A.	77.8	78.2	N.A.	88.3	124.8	159.9
Richmond	136.6	295.3	N.A.	113.1	107.7	109.3	111.4	95.3	131.5	139.7
Roanoke	128.6	206.7	49.2	92.1	140.5	80.6	105.3	101.3	126.1	181.0
Staunton	113.3	97.8	38.3	N.A.	120.9	97.3	N.A.	N.A.	105.1	161.7
Williamsburg	130.8	165.2	100.5	125.0	N.A.	114.8	N.A.	95.7	122.9	176.8
Winchester	138.1	280.4	65.7	99.6	154.8	124.7	N.A.	118.0	99.3	167.6

TABLE II May 1983

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	RETAIL SALES ‡
The State		24.8	55.0	6.9	7.0	23.2	0.7	-7.2	9.8	9.1
Alexandria	13.1	23.8	215.5	6.0	N.A.	24.1	3.6	1.4	15.2	11.3
Bristol	11.4	61.0	-68.6	8.9	-6.3	17.3	N.A.	-2.5	4.2	-0.9
Cape Charles - Exmore	-0.2	18.3	694.8	0.3	N.A.	19.4	N.A.	N.A.	-13.1	0.7
Charlottesville	12.4	25.6	-22.1	3.1	N.A.	34.9	N.A.	-10.7	11.2	6.0
Danville	1.1	N.A.	-53.6	3.7	12.2	35.6	N.A.	-21.7	-7.3	0.1
Franklin	1.1	N.A.	81.8	7.8	-3.4	16.7	N.A.	-6.5	-2.4	8.5
Fredericksburg	4.7	31.6	-6.8	N.A.	15.0	8.9	N.A.	-35.5	4.2	6.6
Harrisonburg	10.3	19.3	-39.5	N.A.	6.6	23.7	N.A.	14.7	2.5	46.3
Lynchburg	12.1	50.0	-1.2	4.7	N.A.	10.4	N.A.	-4.5	8.0	2.3
Newport News - Hampton	13.2	22.9	75.3	-0.3	0.5	26.4	4.0	0.8	21.6	10.0
Norfolk - Va. Beach - Portsmouth	10.5	11.5	37.2	5.7	8.5	28.2	2.3	-6.8	14.9	6.8
Petersburg	11.9	42.9	150.5	N.A.	4.0	24.1	N.A.	-19.1	10.4	12.6
Richmond	10.8	22.7	78.6	16.2	2.8	16.2	0.5	-12.3	17.1	7.5
Roanoke	6.7	6.6	174.9	6.1	14.7	34.0	0.8	-2.3	0.1	9.5
Staunton	2.2	13.8	138.0	N.A.	3.2	24.9	N.A.	N.A.	-9.6	8.9
Williamsburg	6.2	18.2	56.6	1.3	N.A.	27.1	N.A.	-2.6	-0.3	3.8
Winchester	8.2	27.5	289.0	4.5	18.9	7.6	N.A.	11.1	-1.4	6.5

TABLE III

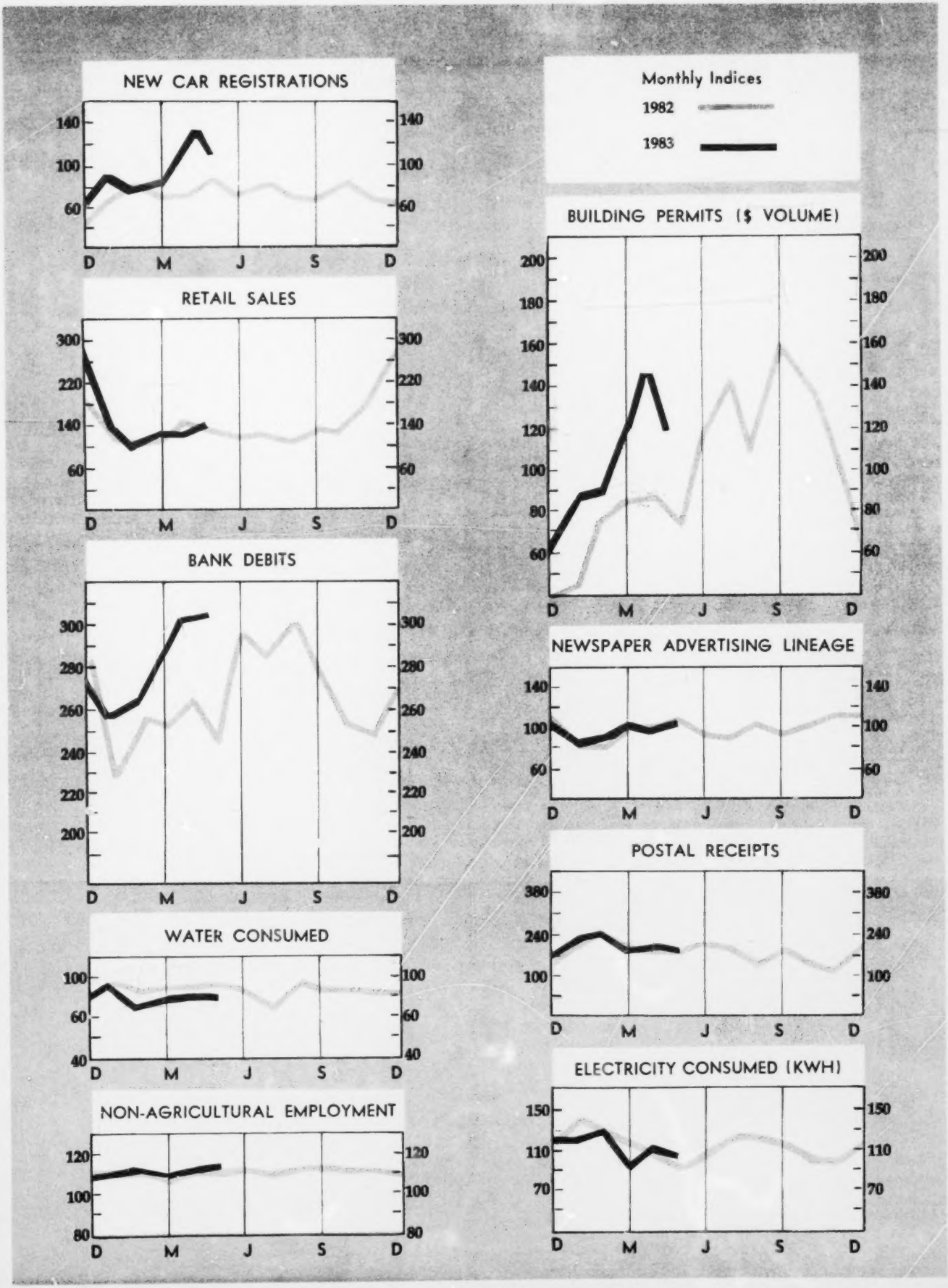
Percentage Change January - May from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Apr. RETAIL SALES
The State		9.1	49.1	-1.1	3.8	20.1	0.2	-6.7	12.5	7.5
Alexandria	8.7	-9.6	133.5	-2.7	N.A.	21.8	3.6	5.8	16.8	9.0
Bristol	11.1	30.7	-47.6	-3.6	-1.4	39.9	N.A.	3.5	6.5	-4.6
Cape Charles - Exmore	6.4	13.8	191.3	-2.5	N.A.	26.9	N.A.	N.A.	0.1	6.0
Charlottesville	8.6	12.2	16.1	-3.2	N.A.	26.0	N.A.	-4.8	9.9	8.2
Danville	1.2	N.A.	-4.0	2.8	12.4	38.4	N.A.	-11.2	-11.3	4.7
Franklin	-2.5	N.A.	-8.7	1.1	-0.5	1.8	N.A.	-10.0	-3.2	0.2
Fredericksburg	11.9	37.9	180.9	N.A.	8.1	22.0	N.A.	-37.0	17.5	7.9
Harrisonburg	8.4	27.9	101.2	N.A.	6.4	20.5	N.A.	-1.7	1.8	37.4
Lynchburg	14.2	45.0	76.0	-1.7	N.A.	30.7	N.A.	-7.7	11.1	0.0
Newport News - Hampton	9.6	24.5	30.1	-2.5	-7.3	24.5	3.5	-4.4	17.1	6.7
Norfolk-Va. Beach-Portsmouth	10.4	19.4	43.5	-1.5	6.3	23.2	1.8	-7.1	17.2	8.0
Petersburg	17.2	55.3	32.8	N.A.	3.5	37.9	N.A.	-7.1	10.2	10.6
Richmond	7.8	7.8	7.6	2.5	-0.9	26.9	-0.1	-11.1	14.9	8.7
Roanoke	4.1	8.4	121.5	1.7	6.7	-28.6	0.4	1.2	15.7	5.7
Staunton	8.0	29.4	14.9	N.A.	4.9	13.6	N.A.	N.A.	0.1	3.7
Williamsburg	-0.2	-23.1	74.8	-4.0	N.A.	27.1	N.A.	-14.8	4.5	14.3
Winchester	8.9	21.1	64.8	-0.9	27.3	29.1	N.A.	4.6	-3.3	10.6

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.


NEW CAR REGISTRATIONS
140
100
60
D
M
J
S
D
RETAIL SALES
300
220
140
60
BANK DEBITS
300
280
260
240
220
200
WATER CONSUMED
100
60
40
NON-AGRICULTURAL EMPLOYMENT
120
100
80
Monthly Indices
1982
1983
BUILDING PERMITS ($ VOLUME)
200
180
160
140
120
100
80
60
NEWSPAPER ADVERTISING LINEAGE
POSTAL RECEIPTS
380
240
100
ELECTRICITY CONSUMED (KWH)
150
110
70

What Shape Is the Earth?

(This article was written by Craig T. Forbes, who received an MBA from the College of William and Mary and is an economist with the Virginia Department of Taxation. The views expressed herein are his and not necessarily those of the Department.) L.E.T.

The flat tax: it sounds so easy! That nice, neat word *flat*, initially at least, may appear to represent the obvious cure-all for a complicated income tax system in the U.S. and elsewhere. The 1981 Virginia General Assembly seriously considered a flat tax proposal (House Bill 1638 which passed the House of Delegates but died in the Senate Finance Committee). The flat tax was certainly a popular national issue in 1982. Yet, most states and the federal government have not enacted a flat individual income tax. Why not?

The major reason for general Congressional or legislative failure to adopt such a proposal is that no true definition of a flat tax exists. In fact, the term "flat tax" is so vague that the range of flat tax options is infinite. Consequently, when politicians, economists and/or taxpayers begin to study this agreement on the necessities of any flat tax proposal becomes very difficult to achieve. A 1982 Harris poll revealed, for instance, that while over 60 percent of the general public would use a flat tax to broaden today's federal income tax base significantly, at least 65 percent of those same persons do *not* favor elimination of any itemized deductions currently allowed. In other words, "It sure would be nice to have an easier way to calculate taxable income, but do not take away *my* deductions." This lack of consistent public opinion has kept many politicians at all levels of government from taking a definite stance on the flat tax issue. During flat tax hearings at the Congressional Senate Finance Committee in September, 1982, most Senators and the Reagan Administration specifically stated that they did not plan an initiative in this area.

Nevertheless, the issue obviously merits the attention of taxpayers, because several Congressmen *did* introduce flat tax bills in 1982. In addition the Virginia General Assembly, through a joint individual income tax study committee, is currently studying 1981 House Bill 1683, introduced by Delegate Johnny S. Joannou, D-Portsmouth. Clearly, passage of any of the federal or Virginia flat tax proposals would constitute a substantial change from current individual income tax structure. The possibilities are almost limitless and some of the actual proposals when given in detail shed a much better understanding of what a flat tax could mean to Virginia taxpayers.

In regard to federal proposals, the greatest potential effect on Virignia individual income taxes would come from income base changes. The questions of "What is total income?" and "What is taxable income?" existed in Virginia long before Congress passed the Sixteenth Amendment to the Constitution in 1913. This Amendment allowed a national individual income tax. Only since 1972, however, has Virginia agreed with the federal definition of income. Thus, by conforming to federal "adjusted gross income," Virginia also complies with any federal *changes* to its income definition.

Of about twelve flat tax bills in Congress in 1982, two served as the basis for most of the others: the Crane-Helms "Flat Rate Tax Act of 1982," and the Bradley-Gephardt "Fair Tax Act of 1982." Both bills suggested major income base changes, but their approaches were significantly different.

Crane-Helms proposed keeping the current definition of ajusted gross income. This proposal would repeal all exemptions, exclusions, credits, and deductions other than a personal and dependent exemption of $2000. Using a sampling model of the Virginia individual income tax, we can simulate the effects of the Crane-Helms proposal on Virginia taxpayers. If we apply a single tax rate to its taxable income base, with the idea of producing revenues equal to those under the current Virginia structure, we find that low and some middle income taxpayers would be greatly disadvantaged. On the whole Virginians with annual incomes below $30,000 would pay more Virginia income tax than they pay today.

The Bradley-Gephardt bill, for which we cannot use the sampling model, can still be compared with the proposed income tax structure changes in the Crane-Helms option. First, where Crane-Helms avoid such, Bradley-Gephardt *would* change adjusted gross income. Bradley-Gephardt would add back three items *not now* included in the definition of income: one-third of employer provided health insurance premiums, all unemployment compensation, and all disability pay. Additionally, Bradley-Gephardt proposed to omit three itemized deductions now permitted nationally and in Virginia: any medical expenses less than ten percent of adjusted gross income (as redefined by them), payments of general sales and personal property taxes, and the 60 percent net-long term capital gains not now taxed. As more proof of the potential variety in "flat tax" proposals, the Bradley-Gephardt bill combined a single rate for all taxpayers with a graduated surtax for persons whose income exceeds certain levels. These changes would mean an estimated increase in the income base of $2.2 billion, which under the current rate structure could provide an additional $70 million to $126 million in individual income tax revenue for Virginia.

Finally, on the state level, Virginia has examined and continues to examine a flat tax proposal by one of its legislators—1981 House Bill No. 1638. Similar to Crane-Helms, the Joannou bill repealed all current exemptions, deductions, credits, and exclusions. Instead, one $4,500 deduction for each taxpayer and another for $4,500 for each spouse would be given. The tax rate was set at a flat 4.75 percent. Again using the sampling model, we find that this bill would cause those with incomes under $10,000 to pay *less* tax than now being paid, unlike the Crane-Helms proposal. For most other income levels the Joannou proposal would cause tax liability to change by only 1.0 percent to 3.5 percent.

Thus, the flat tax may not represent a simple solution to a complicated income tax system. Everyone envisions a different idea of "flat." Even two proposals which may seem similar in their approach to change of the current structure (Crane-Helms and Joannou), produce widely different effects on persons with equal incomes. Also, a flat tax does not necessarily require a single tax rate (Bradley-Gephardt). Just as those scientists and explorers five and six hundred years ago who debated the true shape of the Earth, once we test the waters we may find that the flat tax is indeed "not flat." C.T.F.

Prepared by the Bureau of Business Research
THE COLLEGE OF WILLIAM AND MARY
Thomas A. Graves, Jr., *President*
School of Business Administration
Charles L. Quittmeyer, *Dean*
Bureau of Business Research
Leland E. Traywick, *Director*

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 279 **August, 1983**

Business in Virginia June-July, 1983, Data

Business in Virginia for the summer months of June and July turned out to be splendid. Bank debits to demand deposits (i.e., checking account transactions) rose 21.5 percent in June and 32.2 percent in July over the same months of last year. Earlier this year these indicators were running at increases of only 10 to 12 percent and at one time (February) of only 1.5 percent. The pickup began in May and has gone forward since then.

Various cities that have shown strength recently have been Charlottesville, Fredericksburg, Lynchburg, Norfolk-Virginia Beach-Portsmouth, Richmond, and Winchester.

Also on the strong side of the ledger have been building permits. In June they were up 91.3 percent and in July a healthy but not quite so high 70.6 percent over a year ago. Perhaps some of the reason for the decline is what has been happening in interest rates. Earlier this summer, mortgage rates, for example, rose approximately 2 percent points. This was enough to scare some home builders. Since then, VHA and FHA rates have fallen. If this trend in these and other interest rates continues, it could give considerable hope and strength to the construction business.

It is interesting to note that electricity consumed rose a modest 4.6 percent in June of this year over that of last, but when the blast of summer heat arrived consumption rose to 10.3 percent over that of last year. At the moment there do not appear to be serious problems or brownouts, but capacities are in process of being strained.

Newspaper advertising linages have showed substantial increases so far this summer. June rose 16.1 percent over last year's sixth month and 13.1 percent this July as opposed to last. The results for retail sales, however, have been disappointing. They rose 12.1 percent in June over a year ago and only 6.4 percent this July over last. But some of this may have been a bit of caution in the air and a bit of the summer doldrums, as people headed for the beaches instead of the department stores. Back-to school sales in August should reverse some of these trends. Income and installment buying are holding up well and unemployment continues to drop. The Commonwealth is among the five or six states that is at the bottom of the entire nation in unemployment rates.

Among the very strong economic indicators that have jumped to the fore this summer have been new car registrations. In June they were up 24.9 percent and in July a resounding 50.5 percent, both over a year ago. When one thinks how the auto dealers have suffered over the past couple of years, this is a most welcome relief. All cities were in the black and two of them, Charlottesville and Danville, broke the 100 percent mark.

Another indicator to brag about was nonagricultural employment. For June this barometer rose 1.2 percent and for July 1.4 percent over last year. This is the jobs market and the increases have been good.

Water consumption took a sharp jump in July. It rose only 1.2 percent in June but in July the increase was a tremendous 9.8 percent. This shows what sweltering heat and drought can do to yards and gardens.

Postal receipts were up 13.5 percent in June but only 0.5 percent in July. This is quite a change.

Finally, on a very happy note consumer prices rose only 3.2 percent on an annual rate basis. For the year price increases have been low. The best in 17 years. LET

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change July, 1982 from July, 1983

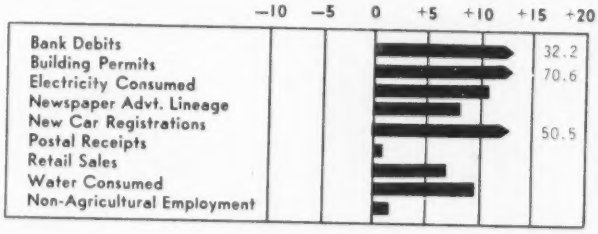
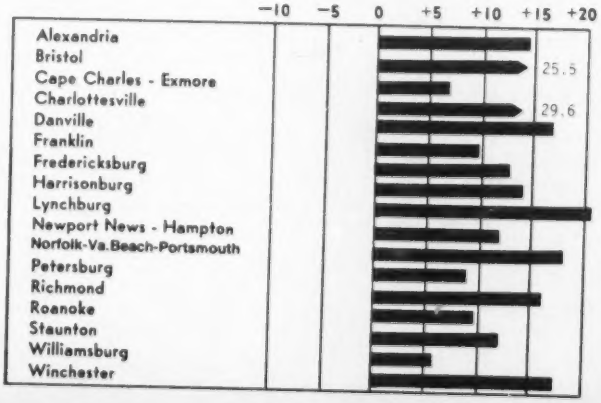


Chart II

City Indices

Percentage Change July, 1982 from July, 1983



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I June 1983

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		360.4	221.5	112.3	112.2	98.7	112.9	90.9	137.4	245.8
Alexandria	200.6	720.0	585.0	115.7	N.A.	113.7	126.3	93.1	145.3	N.A.
Bristol	130.6	251.7	74.2	77.8	95.5	76.4	N.A.	92.1	129.2	194.0
Cape Charles - Exmore	141.2	174.6	702.9	N.A.	N.A.	69.8	N.A.	N.A.	142.1	176.5
Charlottesville	169.2	252.3	72.2	104.5	N.A.	136.2	N.A.	144.8	183.8	164.1
Danville	121.8	N.A.	121.4	116.8	114.3	75.2	N.A.	91.7	146.4	137.5
Franklin	120.1	N.A.	169.0	100.3	105.8	87.2	N.A.	112.7	126.2	176.1
Fredericksburg	159.6	163.1	248.1	N.A.	124.5	136.2	N.A.	62.2	185.1	235.6
Harrisonburg	145.3	204.5	261.1	N.A.	112.8	83.2	N.A.	108.4	158.4	178.1
Lynchburg	230.3	498.0	148.3	160.6	N.A.	96.6	N.A.	105.1	128.2	597.8
Newport News - Hampton	133.5	225.1	141.2	99.3	116.2	78.8	123.9	125.9	144.1	N.A.
Norfolk - Va. Beach - Portsmouth	143.0	289.8	249.6	118.0	110.6	89.6	116.3	50.1	170.9	N.A.
Petersburg	115.6	170.2	59.4	N.A.	101.0	76.8	N.A.	95.4	111.5	146.6
Richmond	139.2	375.2	N.A.	124.4	98.8	99.2	112.9	111.2	105.1	154.9
Roanoke	134.1	300.0	221.9	61.9	132.9	73.7	105.5	102.3	128.8	178.0
Staunton	117.0	131.5	471.2	N.A.	62.8	72.9	N.A.	N.A.	133.2	152.3
Williamsburg	151.4	178.2	412.7	139.4	N.A.	116.7	N.A.	99.2	127.5	295.3
Winchester	136.2	295.9	78.3	105.5	151.5	99.2	N.A.	108.1	98.7	169.6

TABLE II June 1983

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	May RETAIL SALES ‡
The State		21.5	91.3	4.6	16.1	24.9	1.2	1.2	12.1	12.3
Alexandria	13.4	11.1	275.7	3.1	N.A.	22.4	3.7	0.9	22.1	20.7
Bristol	18.7	21.2	104.3	-4.7	-1.8	18.3	N.A.	30.4	28.8	-2.1
Cape Charles - Exmore	18.6	21.3	673.3	N.A.	N.A.	35.0	N.A.	N.A.	12.3	11.8
Charlottesville	17.1	38.4	-79.7	-0.9	N.A.	48.0	N.A.	1.6	10.8	5.1
Danville	9.4	N.A.	-10.8	10.1	14.6	48.7	N.A.	4.4	-4.0	-10.7
Franklin	4.3	N.A.	24.2	3.9	5.0	-10.7	N.A.	-3.5	11.9	6.5
Fredericksburg	13.2	16.5	132.9	N.A.	16.4	26.0	N.A.	-25.3	19.6	13.7
Harrisonburg	10.7	12.4	65.9	N.A.	9.4	24.4	N.A.	2.4	8.8	40.9
Lynchburg	14.0	33.5	-18.5	0.3	N.A.	49.0	N.A.	-7.0	7.3	8.1
Newport News - Hampton	14.2	16.8	-1.2	2.4	31.1	9.1	4.9	16.6	15.8	8.0
Norfolk - Va. Beach - Portsmouth	12.8	38.6	71.4	1.2	13.3	23.7	2.6	-4.9	13.7	15.1
Petersburg	19.4	29.7	330.3	N.A.	41.1	44.1	N.A.	-3.1	7.9	7.5
Richmond	10.9	16.1	261.5	15.1	8.7	24.1	0.7	0.7	10.9	16.3
Roanoke	10.9	25.8	-38.7	2.1	23.3	43.7	1.9	-9.0	3.3	8.6
Staunton	8.6	12.8	573.2	N.A.	-1.1	14.8	N.A.	N.A.	8.4	-5.5
Williamsburg	11.7	6.9	572.1	0.6	N.A.	57.3	N.A.	7.6	3.2	6.9
Winchester	7.9	19.3	193.2	6.4	16.8	21.4	N.A.	6.5	-2.1	17.8

TABLE III

Percentage Change January - June from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-May RETAIL SALES
The State		12.9	50.9	-0.2	5.8	21.1	0.4	-5.4	8.6	8.6
Alexandria	9.3	-7.7	158.0	-1.8	N.A.	21.9	3.6	4.9	17.9	11.6
Bristol	12.4	29.0	-35.0	-3.7	-1.5	35.1	N.A.	8.4	10.5	-4.0
Cape Charles - Exmore	10.1	15.1	257.4	N.A.	N.A.	28.6	N.A.	N.A.	2.3	7.4
Charlottesville	10.1	16.2	-12.6	-2.9	N.A.	30.9	N.A.	-3.7	10.0	7.5
Danville	2.6	N.A.	-5.6	4.1	12.8	40.4	N.A.	-8.6	-10.1	1.2
Franklin	-1.4	N.A.	-1.5	1.5	0.4	-1.3	N.A.	-8.8	-0.6	1.7
Fredericksburg	12.4	35.8	169.8	N.A.	9.4	22.9	N.A.	-35.0	17.9	9.2
Harrisonburg	8.8	25.3	89.0	N.A.	6.9	21.3	N.A.	-1.1	3.0	38.1
Lynchburg	14.2	43.0	51.6	-1.4	N.A.	34.4	N.A.	-7.6	10.4	1.7
Newport News - Hampton	10.3	23.0	23.7	-1.7	-3.0	21.0	3.8	-0.9	16.9	7.0
Norfolk - Va. Beach - Portsmouth	11.2	26.3	49.0	-1.1	7.5	23.3	1.9	-6.7	16.5	9.6
Petersburg	17.7	51.5	59.0	N.A.	10.0	39.3	N.A.	-6.5	9.8	9.9
Richmond	8.2	9.2	-0.9	4.4	0.7	26.3	0.1	-9.1	14.1	10.3
Roanoke	3.7	15.6	89.1	1.8	9.5	-19.7	0.7	-0.7	8.8	6.3
Staunton	8.0	25.7	126.1	N.A.	3.8	13.9	N.A.	N.A.	1.5	1.5
Williamsburg	1.9	-18.5	159.9	-3.2	N.A.	33.2	N.A.	-10.8	4.2	11.9
Winchester	8.7	20.8	83.2	0.2	25.3	27.5	N.A.	4.9	-3.1	12.3

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I July 1983

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		377.7	242.4	134.5	102.1	123.6	112.4	84.8	141.5	220.1
Alexandria	212.7	768.1	523.4	149.2	N.A.	155.5	125.9	130.8	124.1	N.A.
Bristol	127.1	247.7	34.1	83.4	94.3	53.9	N.A.	93.8	128.9	184.4
Cape Charles - Exmore	124.9	161.6	625.4	102.5	N.A.	86.5	N.A.	N.A.	128.3	138.6
Charlottesville	183.8	252.0	278.2	123.2	N.A.	161.0	N.A.	137.3	209.6	167.8
Danville	122.3	N.A.	432.4	122.9	61.1	119.3	N.A.	85.4	141.7	164.5
Franklin	125.3	N.A.	180.1	116.9	94.6	172.3	N.A.	124.1	112.9	156.0
Fredericksburg	153.3	198.3	138.8	N.A.	123.9	139.7	N.A.	70.2	169.8	184.5
Harrisonburg	133.4	178.6	249.8	N.A.	89.6	112.6	N.A.	118.4	131.1	174.5
Lynchburg	193.9	465.3	132.3	107.8	N.A.	127.4	N.A.	116.0	128.1	359.1
Newport News - Hampton	132.9	201.3	129.9	120.9	96.7	88.5	122.1	132.6	144.7	N.A.
Norfolk - Va. Beach - Portsmouth	169.8	410.6	269.0	149.3	103.7	110.3	118.2	88.7	182.6	N.A.
Petersburg	103.7	149.9	N.A.	N.A.	64.1	49.4	N.A.	117.4	103.8	137.3
Richmond	147.4	372.1	N.A.	149.2	92.0	104.4	111.3	127.3	121.4	153.1
Roanoke	138.3	281.3	234.9	116.6	116.1	79.5	10[illegible].1	115.1	129.1	179.1
Staunton	125.1	127.7	92.3	N.A.	110.8	99.2	N.A.	N.A.	124.5	164.5
Williamsburg	128.9	99.1	163.9	166.4	N.A.	146.9	N.A.	107.5	114.4	168.2
Winchester	143.3	301.9	66.3	110.4	148.7	139.5	N.A.	120.4	99.3	171.2

TABLE II July 1983

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	June RETAIL SALES ‡
The State		32.2	70.6	10.3	13.1	50.5	1.4	9.8	6.4	10.0
Alexandria	14.6	13.0	243.0	9.5	N.A.	56.9	3.5	-4.0	12.6	10.6
Bristol	25.5	10.7	-40.4	6.1	-1.6	61.4	N.A.	40.8	28.9	10.1
Cape Charles - Exmore	6.8	9.5	42.3	5.6	N.A.	68.6	N.A.	N.A.	-14.3	21.7
Charlottesville	29.6	48.6	161.0	8.9	N.A.	101.0	N.A.	14.0	11.6	-0.5
Danville	16.3	N.A.	-31.5	8.2	14.6	123.8	N.A.	-6.3	-8.7	17.1
Franklin	9.1	N.A.	168.4	1.4	-3.8	87.9	N.A.	5.3	-9.1	-8.1
Fredericksburg	12.4	45.7	22.6	N.A.	9.9	32.5	N.A.	-19.2	6.0	15.6
Harrisonburg	14.1	12.0	703.1	N.A.	1.7	63.7	N.A.	16.4	1.6	55.5
Lynchburg	20.5	31.3	85.8	6.2	N.A.	90.7	N.A.	1.6	4.5	4.8
Newport News - Hampton	11.8	5.9	-46.7	9.5	15.1	29.8	4.7	18.4	7.5	9.5
Norfolk - Va. Beach - Portsmouth	17.9	50.4	99.0	7.4	16.7	40.2	3.4	10.7	10.8	12.2
Petersburg	8.3	-1.9	N.A.	N.A.	-1.0	45.2	N.A.	10.4	1.7	7.3
Richmond	15.9	30.3	44.8	22.7	8.4	32.0	1.1	19.9	9.5	4.2
Roanoke	9.9	29.2	162.8	1.2	17.6	40.7	3.7	-7.8	1.6	-2.1
Staunton	12.0	14.5	-65.3	N.A.	11.9	60.5	N.A.	N.A.	-5.0	17.1
Williamsburg	5.3	-46.0	145.4	3.4	N.A.	81.6	N.A.	0.0	-0.6	2.0
Winchester	17.2	21.0	62.9	10.4	25.8	70.3	N.A.	12.3	-0.7	29.4

TABLE III

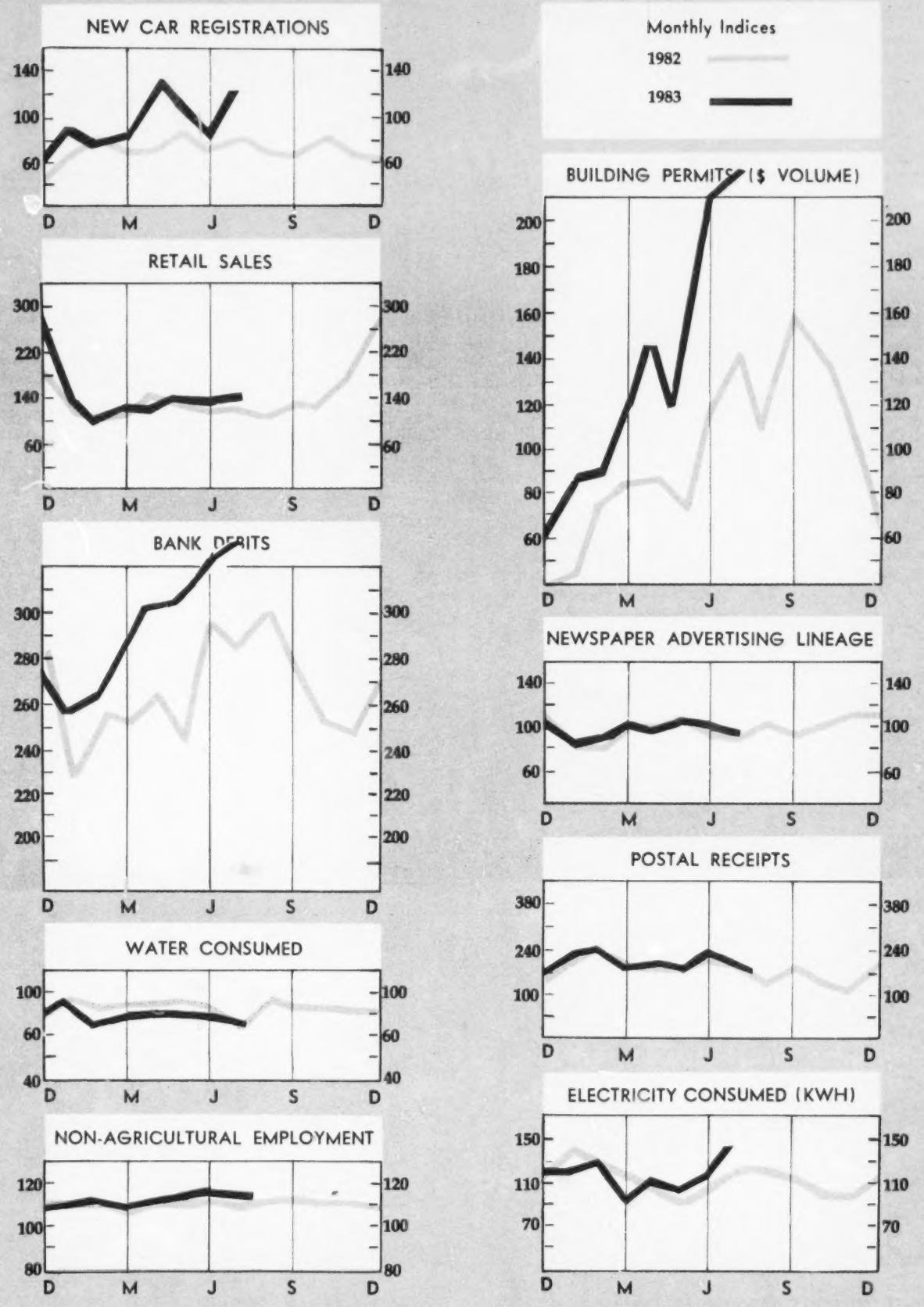
Percentage Change January - July from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan-June RETAIL SALES
The State		16.3	54.1	1.2	6.7	24.8	0.6	-3.0	11.6	8.9
Alexandria	9.8	-6.2	170.3	-0.1	N.A.	26.6	3.6	3.3	17.1	11.4
Bristol	14.2	26.2	-35.8	-2.6	-1.5	38.3	N.A.	13.2	13.4	-1.7
Cape Charles - Exmore	7.6	14.3	171.4	-0.8	N.A.	33.5	N.A.	N.A.	-0.5	10.1
Charlottesville	12.6	20.8	-6.0	-1.2	N.A.	38.7	N.A.	-1.1	10.3	6.2
Danville	4.2	N.A.	-18.9	4.8	13.1	49.7	N.A.	-8.2	-9.9	3.8
Franklin	-0.5	N.A.	32.8	1.5	-0.2	7.5	N.A.	-6.6	-1.9	0.2
Fredericksburg	12.2	36.6	135.7	N.A.	9.5	24.2	N.A.	-32.7	16.0	10.3
Harrisonburg	9.4	23.2	128.2	N.A.	6.2	26.5	N.A.	1.2	2.8	41.0
Lynchburg	14.9	41.3	54.8	-0.4	N.A.	41.1	N.A.	-6.2	9.5	2.2
Newport News - Hampton	10.1	20.3	5.3	0.0	-1.2	22.0	3.9	2.2	14.5	7.4
Norfolk - Va. Beach - Portsmouth	12.6	34.0	56.7	0.2	8.8	25.4	2.1	-4.0	15.7	10.1
Petersburg	16.4	44.5	N.A.	N.A.	8.6	40.0	N.A.	-4.0	8.6	9.5
Richmond	9.4	12.7	3.4	7.2	1.7	27.0	0.2	-4.7	13.5	9.3
Roanoke	5.5	19.3	110.9	-0.6	10.5	-14.9	1.2	-2.0	12.1	4.9
Staunton	8.2	23.7	43.6	N.A.	4.9	19.1	N.A.	N.A.	0.5	3.9
Williamsburg	2.3	-22.7	157.6	-2.2	N.A.	39.1	N.A.	-8.9	3.5	9.6
Winchester	9.7	20.8	79.6	1.5	25.4	32 6	N.A.	6.0	-2.8	15.0

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.


NEW CAR REGISTRATIONS
140
100
60
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RETAIL SALES
300
220
140
60
BANK DEBITS
300
280
260
240
220
200
WATER CONSUMED
100
60
40
NON-AGRICULTURAL EMPLOYMENT
120
100
80
Monthly Indices
1982
1983
BUILDING PERMITS ($ VOLUME)
200
180
160
140
120
100
80
60
NEWSPAPER ADVERTISING LINEAGE
POSTAL RECEIPTS
380
240
100
ELECTRICITY CONSUMED (KWH)
150
110
70

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 280 **September, 1983**

Business in Virginia August 1983, Data

(This issue of the Virginia Business Report was prepared by Chessie Professor of Business Administration Marvin M. Stanley in the absence of Bureau Director Leland Traywick, who is ill.)

The Report uses data collected from 17 Virginia cities and Standard Metropolitan Statistical Areas. Indexes for nine areas of business activity are prepared which permit comparison of that city/SMSA business activity with the same month in 1977. For August 1983, in comparison with August 1977, Alexandria had the highest city indexed growth over the six-year period, with an increase in business activity of 108.5 percent. The remaining ranked as follows in business activity increase: Fredericksburg + 64.9%, Charlottesville + 63.8%, Lynchburg + 55.8%, Richmond + 50.2%, Harrisonburg + 45.8%, Winchester + 45.5%, Norfolk-Portsmouth + 41.5%, Newport News-Hampton + 40.5%, Williamsburg + 38.1%, Roanoke + 35.7%, Franklin + 31.1%, Bristol + 29.7%, Cape Charles-Exmore + 28.5%, Danville + 20.6%, Staunton + 10.7%, and Petersburg, which declined 7.9%.

The above rankings are based upon a weighted arithmetic mean of all business and economic sample data components except Building Permits, which is excluded because of its highly erratic nature. As such, the index contains both dollar values, such as Retail Sales, and quantities consumed, such as Electricity Consumed in kilowatt hours. Since measurements are the same for all city/SMSA areas, ranking of indexed growth is possible.

For the state as a whole, since August of 1977 Bank Debits have grown 282%, Building Permits are up by 114.8%, Electricity Consumed increased 44.4%, Newspaper Lineage up by 7.5%, New Car Registrations with a decline of 12.6%, Non-Agricultural Employment grew by 12%, Water Consumption up by 10.5%, and Retail Sales grew by 29.5%.

Comparing August 1983 with August a year ago, there are a number of encouraging signs in the current economic improvement. Bank Debits are up by 26.9 percent over August 1982, Building Permits (though really a small portion of total economic activity) are up by 99.8%, Retail Sales are up by 10% over August a year ago, and New Car Registrations are up by 15 percent. (Though there has been recent improvement in New Car Registrations, this category is still less than it was in 1977.)

There is money in the bank and people are spending some of it. This is crucially important since personal consumption expenditures comprise about two-thirds of the way in which gross state or gross national product activity is measured. And, basic to the consumer's willingness to part with hard-earned discretionary dollars, over and above prior debt commitments or immediate necessities, is his or her confidence about his or her personal and immediate economic future. One element in the improving business climate well could be pent-up demand; as an example New Car Registrations, for the nation's fleet of private automobiles has aged steadily in recent years as purchases were deferred in favor of new tires or needed maintenance.

It all comes back in the end to consumer psychology, and right now that seems to be cautiously favorable. A period of explosive business growth would bring with it all the byproduct economic ills inherent therein. No thoughtful business manager wants a return to the 18 percent inflation rates of 1980. The present modest but seemingly steady upturn in the economic cycle may be just what the doctor ordered.

Please permit a personal closing note. As a guest editor, I know that Lee Traywick is a tough act to follow. Get well Lee. MMS

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change August, 1983 from August, 1982

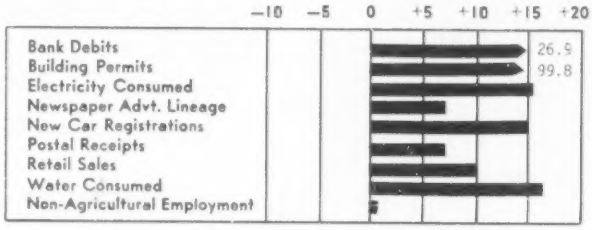
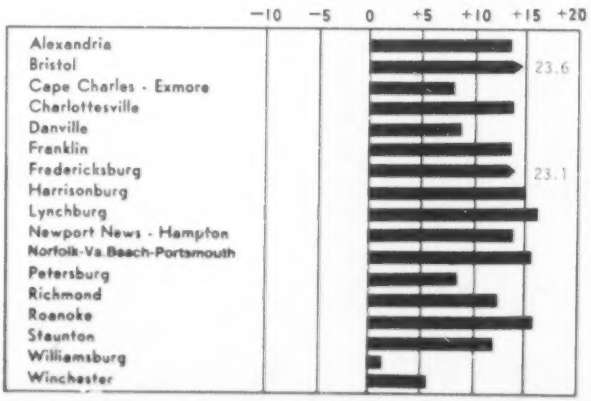


Chart II

City Indices

Percentage Change August, 1983 from August, 1982



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I August 1983

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	NON AGRICULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		382.0	214.8	144.4	107.5	87.4	112.0	110.5	129.5	166.5
Alexandria	208.5	749.7	593.8	157.9	N.A.	100.2	125.3	106.3	142.9	N.A.
Bristol	129.7	303.7	213.1	88.2	88.8	58.5	N.A.	96.4	120.1	171.6
Cape Charles - Exmore	128.5	184.1	265.0	133.7	N.A.	68.1	N.A.	N.A.	122.1	147.1
Charlottesville	163.8	260.7	229.9	123.9	N.A.	106.0	N.A.	126.7	172.0	177.0
Danville	120.6	N.A.	226.2	117.3	126.0	56.1	N.A.	88.3	139.4	158.7
Franklin	131.1	N.A.	26.2	126.9	103.9	124.4	N.A.	131.3	131.9	166.7
Fredericksburg	164.9	232.3	259.5	N.A.	125.7	125.2	N.A.	76.1	186.0	201.6
Harrisonburg	145.8	211.9	436.5	N.A.	113.5	68.7	N.A.	135.0	144.1	204.7
Lynchburg	155.8	185.6	216.6	119.6	N.A.	82.2	N.A.	126.6	116.3	383.7
Newport News - Hampton	140.5	246.9	224.6	133.5	104.6	73.8	123.1	144.9	145.8	N.A.
Norfolk - Va. Beach - Portsmouth	141.5	216.5	220.0	160.6	109.5	83.5	116.6	87.4	166.5	N.A.
Petersburg	92.1	76.9	45.0	N.A.	66.9	73.7	N.A.	112.6	92.2	130.4
Richmond	150.2	451.4	N.A.	154.4	100.6	79.0	111.7	127.6	106.7	157.3
Roanoke	135.7	282.1	71.5	116.4	130.5	68.7	107.0	113.2	118.7	182.6
Staunton	110.7	124.7	92.3	N.A.	81.4	69.0	N.A.	N.A.	112.9	160.8
Williamsburg	138.1	102.0	101.0	167.9	N.A.	174.6	N.A.	108.8	119.4	193.0
Winchester	145.5	335.2	162.5	115.0	114.7	93.3	N.A.	127.7	119.8	164.6

TABLE II August 1983

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	NON AGRICULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	July RETAIL SALES ‡
The State		26.9	99.8	15.4	7.0	15.0	0.9	16.3	10.0	20.9
Alexandria	13.2	20.8	574.0	15.7	N.A.	16.2	2.9	8.8	13.8	24.1
Bristol	23.6	38.0	58.1	5.1	-10.7	41.0	N.A.	45.2	23.3	16.5
Cape Charles - Exmore	7.6	25.0	107.7	8.4	N.A.	19.1	N.A.	N.A.	-2.4	3.7
Charlottesville	13.3	41.6	116.5	6.8	N.A.	12.3	N.A.	7.1	8.5	8.9
Danville	8.5	N.A.	311.3	14.8	14.0	52.4	N.A.	0.3	-7.3	13.4
Franklin	13.2	N.A.	45.5	11.4	1.1	27.6	N.A.	4.9	15.8	20.0
Fredericksburg	23.1	43.2	33.6	N.A.	16.0	42.9	N.A.	-2.8	20.7	33.8
Harrisonburg	15.0	28.9	455.3	N.A.	15.3	-2.4	N.A.	26.5	12.2	68.6
Lynchburg	15.9	13.7	-19.3	9.4	N.A.	42.5	N.A.	29.4	5.4	12.9
Newport News - Hampton	14.1	22.3	74.9	12.4	10.1	8.5	3.9	26.4	14.5	18.3
Norfolk - Va. Beach - Portsmouth	15.4	44.3	96.1	11.0	10.0	22.8	3.1	9.0	12.7	23.2
Petersburg	8.5	-23.8	46.9	N.A.	-9.3	55.5	N.A.	27.4	3.3	21.2
Richmond	12.2	20.0	-47.7	23.8	5.9	-11.5	-0.1	25.8	15.4	32.6
Roanoke	15.5	33.7	1132.3	26.9	14.5	51.7	2.6	9.1	0.3	23.1
Staunton	11.6	24.3	-42.5	N.A.	-5.1	20.7	N.A.	N.A.	9.9	5.9
Williamsburg	1.1	-31.1	55.8	4.5	N.A.	17.9	N.A.	7.7	2.8	26.3
Winchester	5.1	28.3	139.0	7.9	-20.1	27.1	N.A.	17.8	-6.8	30.1

TABLE III

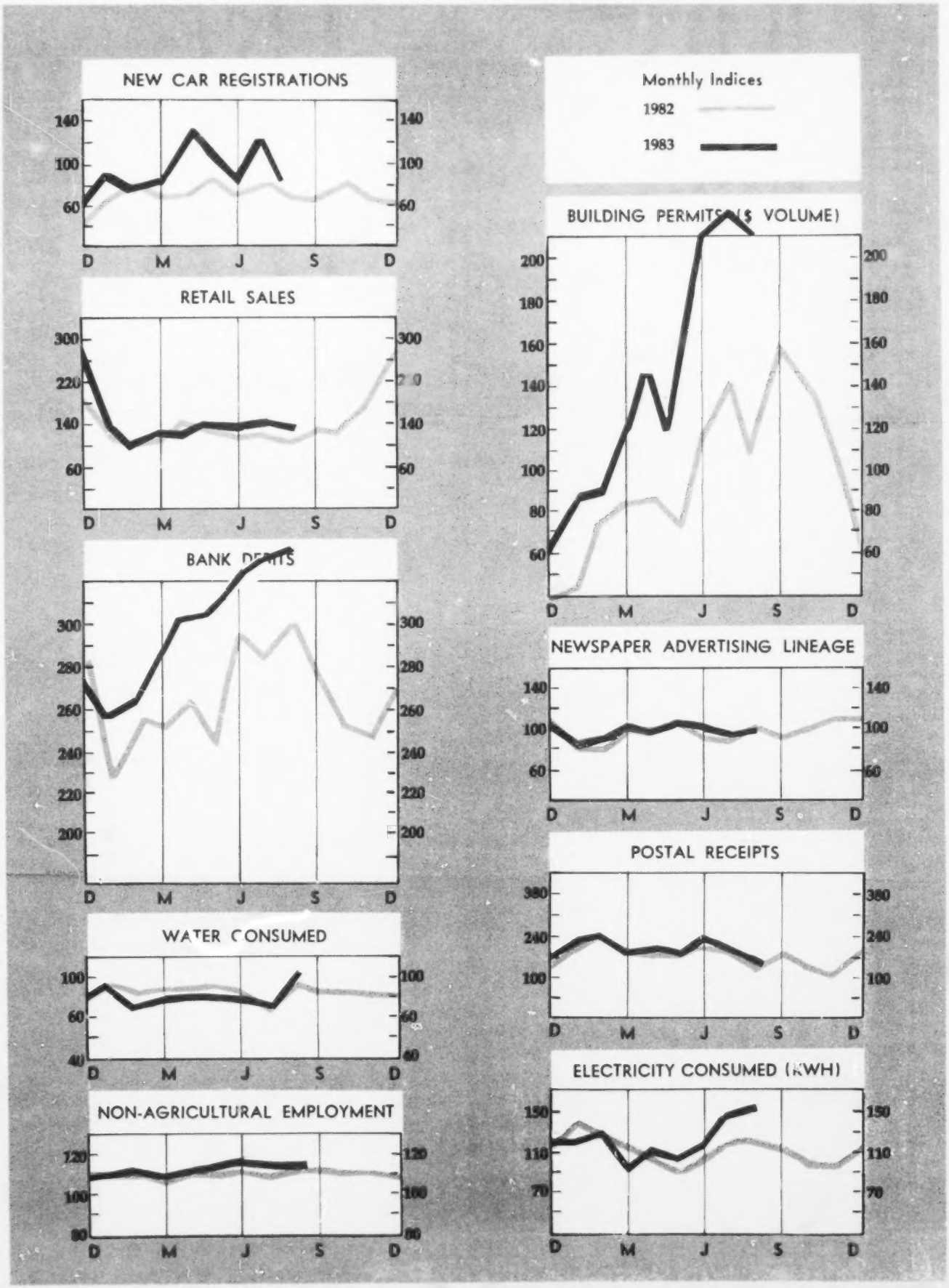
Percentage Change January - August from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	NON AGRICULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan-July RETAIL SALES
The State		17.8	59.7	3.1	6.8	23.3	0.6	-0.5	11.3	10.7
Alexandria	10.1	-4.2	201.3	2.0	N.A.	25.0	3.5	4.1	16.7	13.3
Bristol	15.4	27.8	-13.2	-1.8	-2.7	38.7	N.A.	17.3	14.7	1.1
Cape Charles - Exmore	7.5	15.7	164.8	0.5	N.A.	31.0	N.A.	N.A.	-0.8	8.9
Charlottesville	12.5	23.6	10.4	-0.2	N.A.	34.2	N.A.	-0.1	10.0	6.6
Danville	4.8	N.A.	-4.7	6.0	13.2	50.1	N.A.	-7.2	-9.6	5.3
Franklin	0.4	N.A.	33.4	2.7	-0.1	10.3	N.A.	-5.0	-1.7	5.1
Fredericksburg	13.6	37.2	106.7	N.A.	10.3	26.9	N.A.	-29.2	16.6	14.1
Harrisonburg	9.9	24.0	173.7	N.A.	7.4	21.8	N.A.	4.3	3.9	45.0
Lynchburg	14.9	37.5	35.7	0.8	N.A.	41.3	N.A.	-2.1	9.0	3.8
Newport News - Hampton	10.5	20.6	13.7	1.7	0.0	19.9	3.9	3.3	14.5	9.2
Norfolk - Va. Beach - Portsmouth	13.2	37.0	61.2	1.7	8.9	25.0	2.2	-2.2	15.3	12.2
Petersburg	15.3	33.8	105.5	N.A.	7.1	42.4	N.A.	-0.5	8.0	11.2
Richmond	9.5	13.5	-1.5	9.4	2.2	20.0	0.0	-0.9	13.7	12.7
Roanoke	6.8	23.7	130.0	2.8	11.0	-0.9	1.3	-0.6	10.5	7.7
Staunton	8.6	23.8	25.8	N.A.	3.5	19.4	N.A.	N.A.	1.6	4.2
Williamsburg	-8.1	-23.6	144.1	-1.2	N.A.	35.6	N.A.	-6.6	3.4	12.6
Winchester	9.0	21.8	93.3	2.3	18.5	31.8	N.A.	7.5	-3.4	17.4

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.


NEW CAR REGISTRATIONS
140
100
60
D M J S D
RETAIL SALES
300
220
140
60
BANK DEBITS
300
280
260
240
220
200
WATER CONSUMED
100
60
40
NON-AGRICULTURAL EMPLOYMENT
120
100
80
Monthly Indices
1982
1983
BUILDING PERMITS ($ VOLUME)
200
180
160
140
120
100
80
60
NEWSPAPER ADVERTISING LINEAGE
POSTAL RECEIPTS
380
240
100
ELECTRICITY CONSUMED (KWH)
150
110
70

The Deregulated Airline Industry

(This article was written by Chessie Professor of Business Administration Marvin M. Stanley, who teaches Transportation Management and Business Policy in The Business School's MBA degree program.)

In 1982 some 293 million passengers purchased tickets for nearly 5 million departures aboard the 2,830 U.S. scheduled airlines' aircraft. In 1982 total operating revenue was $36.4 billion; unfortunately total operating expense was $37.1 billion, for an operating loss of $733 million. When fixed costs were included the airlines lost $916 million last year.

Unfortunately, this was the third straight loss year in a row, with the total industry losing $1.4 billion 1980 through 1982, and in the first half of 1983 the industry operating loss was $544 million.

This is an industry in transition from governmental regulation to the freely-competitive marketplace. There has been one corporate bankruptcy and historic company names disappearing through mergers. It is difficult to say whether the airlines' recent and current financial plight is the result of progressive governmental deregulation which began in late 1978 or stems from the recent cyclical downturn in the nation's economy.

The airlines were the first common carrier mode to be deregulated; some would call it reregulated. Complicated legislation providing for a multi-year transition period concentrated upon four points: pricing freedom within certain initial boundaries, route expansion, route abandonments, and relaxed entry for new airlines.

There have been many structural changes in the industry. Braniff became bankrupt, the result of headlong overexpansion outrunning cash flow. Pan American acquired National. Southern and North Central merged to become Republic, later acquiring Hughes Air West. Allegheny became USAir, retaining the name Allegheny for an extensive group of affiliated commuter carriers. New names emerged: New York Air and People Express drew media attention with cut-rate fares along high-density traffic routes. Formerly intra-state Southwest in Texas, Pacific Southwest in California, and Air Florida expanded and became inter-state airlines. Many new names, little known outside of their immediate regions, appeared. In 1978 the industry's Air Transport Association had 29 airlines in their data summary; the 1982 data included 93 airlines, of which 16 had been newly-certificated by the Civil Aeronautics Board in that year.

The airlines, initially placed under governmental regulation of the Civil Aeronautics Board in 1938, really embarked upon significant expansion following the tremendous strides in aviation technology during and after World War II. In 1951 the U.S. scheduled airlines carried 25 million domestic passengers; 30 years later in 1980 they carried 267 million, a compounded average annual growth rate of 8.3 percent at a time when real Gross National Product was growing at an annual rate of 3.2 percent per year. The airlines participated in and certainly contributed to the nation's growth. In 1982 airlines provided 86.3 percent of all intercity passenger travel aboard public service common carriers in the nation.

Nearly five years after deregulation legislation it is possible to obtain some indication of how the airlines have fared in the cloudy and sometimes unfriendly skies of a freely competitive marketplace. Air transportation is a perishable, derived demand service. Movement of an airline seat between, say, New York and Los Angeles cannot be stockpiled or inventoried. Once the aircraft takes off the opportunity to earn income on an empty seat is gone forever. This has led to considerable discount pricing on high-density, competitive routes where all airlines are scrambling to fill such seats. Price wars, except during tourist seasons, for a while were commonplace, but not on routes where there was limited competition or where one airline held a service monopoly. On such routes prices tended to rise. The result has been much airline jockeying for market positioning on routes, and considerable cross subsidization between markets.

Th heavy competition and price discounting on many routes to a considerable degree has contributed to the three and a half year record of operating losses. In 1982 discount fare traffic accounted for 78 percent of total revenue passenger miles, and the average discount off of full fare was 46 percent. The airlines have got to stop giving away air travel.

An instinctive reaction well could be that the airlines should increase passenger fares. But, it is not that simple. Air travel is quite sensitive to economic uncertainty. Business travel declines and personal travel may seem too expensive. With the airlines depending upon passenger travel for 84 percent of their revenue any downturn in demand can be dangerous. Moreover, the airlines' passenger travel demand growth in recent years gives some evidence of a maturing marketplace, which raises serious questions about excess capacity.

So where does the U.S. airline industry stand in September 1983? Traffic growth is recurring with the economic upturn, though at a slower rate than in the past. Costs seem to be stabilizing, particularly fuel; and labor costs, though increasing, are going up at a lower rate. Price competition is still strong, resulting in inadequate yield per revenue passenger mile. There is much experimenting with fares and routes.

Eastern had a $12 million second quarter loss; Trans World had a $14 million second quarter loss. Others did better: American with a $48 million profit, USAir with a $38 million profit, and United with a $37 million profit.

Airline managements appear to be adopting a justifiable new and different viewpoint re their operations, concentrating more on controlling costs and generating revenue than on traffic growth. Improvement in the nation's economy undoubtedly is seen as making higher fares for air travel possible without incurring disproportionate reductions in seats sold. The airlines are groping toward a more stable plateau.

The basic problem, however, is too many airlines with too much excess capacity. The apparently resurgent U.S. economy may obscure the problem for a while, in fact may delay the terminal period of the excess capacity illnes for as much as two years. There will be failures in 1985 or 1986, perhaps one or two before then. The remaining companies, however, will be stronger, competitively lean and better attuned to the often conflicting demands of cost control, market demand, management growth aspirations, and profitability. Tough times for the airlines are not yet over, but they already have flown through most of the turbulence of transition from regulation to homogeneous oligopoly in a free marketplace. MMS

Prepared by the Bureau of Business Research
THE COLLEGE OF WILLIAM AND MARY
Bureau of Business Research
Leland E. Traywick, *Director*

10/31/83 U1120-1 2

VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 281 **October, 1983**

Business in Virginia September, 1983, Data

Spending and business both slowed in September in the Commonwealth. The best measure we have for spending and general business conditions is the indicator known as bank debits to demand deposits. In layman's language these are checking account transactions. In September of this year when compared with that of a year earlier the increase was only 11.9 percent when par for the course lies around 20 to 25 percent. The summer months this year were just great with a range of a 25.0 percent increase in May to a 27.0 percent increase in August with a peak of 32.0 percent in July.

Virginia appears to be almost on a par with national averages in this regard. The U.S. spending fell about 7.0 percentage points during the third quarter, but Virginia not quite so much. Furthermore, it should be noted that there is a lag effect between the Old Dominion and the nation. If the latter falters Virginia will see a decrease a little later. If the country rises, it is a month or so before the Commonwealth responds. This is not too bad, however, as it gives those who are interested in the Virginia economy a vehicle for doing some forecasting.

Building permits on a year-ago basis in Virginia were up only 6.4 percent. Earlier they had been much higher. In August, for example up almost 100 percent. For the nine months of this year in comparison with the first nine months of last year the increase was still a healthy 52.1 percent rise. This was better than a year ago and especially the entire year of 1982 which saw permits increase by only 9.6 percent.

As might be expected retail sales did not do as well as they did earlier this year. For the time period of September to September they were up only 8.5 percent. On a nine month basis they were up 11.0 percent so that the year-to-date is still holding up fairly well. This was all in spite of newspaper advertising linage being up 5.8 percent on a year earlier basis. Apparently, the consumer was still not quite in the mood to buy after the devasting summer heat which lagged into September.

One set of sales, though, that did do very well was new car registrations. Over a year ago they increased 20.1 percent. August had seen only a rise of 15.0 percent after the road burning 50.5 percent increase in July. The new models appear to be running well.

Electricity consumed likewise did very well. It rose 24.1 percent over a year ago. This was most substantial and definitely weather related. From June through September there is a decided upward trend in electrical usage, as the extraordinary weather burnt rural and urban areas. There should be some tapering in this indicator, but if December this year is substantially better than in 1982 (and there is reason to believe it will be), then a lot of lights, gadgets, and gears will get turned up.

Water consumption was up 9.1 percent. Some lawns and irrigated crops were saved, but not many. Postal receipts rose 8.7 percent. As we go to press we do not have the non-farm-employment figures. But they should be hovering around a 1.0 percent increase. Virginia's unemployment is one of the lowest in the nation and is now sitting on 5.5 percent after reaching a high of 9.0 percent in January of this year. Much progress has truly been made. LET

(Continued on back page)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change September, 1983 from September, 1982

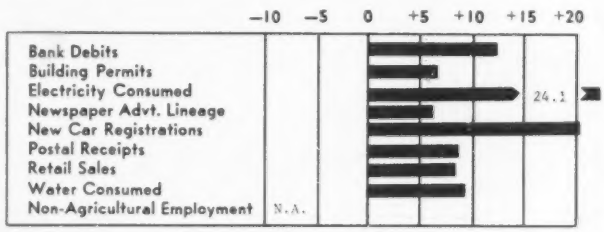
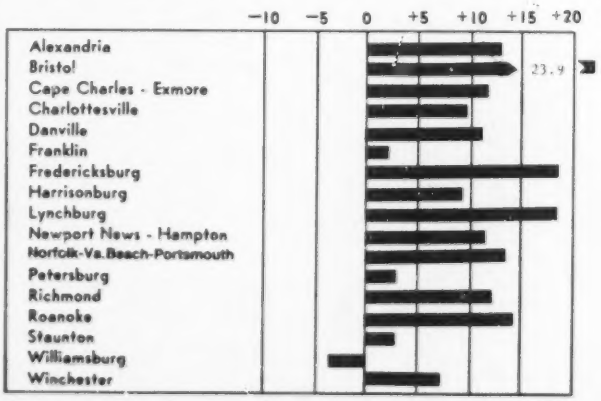


Chart II

City Indices

Percentage Change September, 1983 from September, 1982



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I September 1983 — Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		307.8	170.5	139.6	102.8	87.2	N.A.	98.3	150.9	204.8
Alexandria	239.9	677.6	109.2	150.6	N.A.	110.9	N.A.	95.1	215.1	N.A.
Bristol	140.6	260.8	116.7	80.7	141.3	108.5	N.A.	98.7	125.8	198.2
Cape Charles - Exmore	145.1	193.1	227.1	128.3	N.A.	75.5	N.A.	N.A.	161.2	135.5
Charlottesville	194.4	229.2	141.2	125.1	N.A.	83.2	N.A.	117.0	273.5	180.3
Danville	138.6	N.A.	132.8	118.4	120.6	82.2	N.A.	84.5	183.7	152.0
Franklin	120.1	N.A.	104.8	99.1	105.1	79.2	N.A.	117.8	133.1	160.3
Fredericksburg	180.4	221.4	94.8	N.A.	151.2	102.3	N.A.	91.8	235.7	183.4
Harrisonburg	171.7	200.3	479.6	N.A.	110.5	72.1	N.A.	137.6	226.5	173.7
Lynchburg	222.7	524.9	133.4	126.4	N.A.	79.3	N.A.	141.2	157.4	437.5
Newport News - Hampton	140.2	223.5	157.2	128.2	105.1	73.8	N.A.	122.9	156.0	N.A.
Norfolk - Va. Beach - Portsmouth	156.8	176.8	190.8	153.5	111.3	78.1	N.A.	83.4	217.2	N.A.
Petersburg	121.6	167.9	79.0	N.A.	71.2	55.7	N.A.	101.4	137.5	164.2
Richmond	163.5	332.7	N.A.	156.8	107.6	73.3	N.A.	117.2	174.2	161.6
Roanoke	158.3	299.1	40.4	95.1	129.8	67.9	N.A.	103.9	187.1	167.2
Staunton	146.8	110.5	43.9	N.A.	75.4	65.1	N.A.	N.A.	143.8	345.5
Williamsburg	136.9	86.1	105.5	163.3	N.A.	89.1	N.A.	98.3	155.7	191.5
Winchester	160.7	299.3	96.5	113.5	181.0	91.5	N.A.	119.8	156.1	172.0

TABLE II September 1983 — Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Aug. RETAIL SALES ‡
The State		11.9	6.4	24.1	5.8	20.1	N.A.	9.1	8.5	24.7
Alexandria	12.7	9.2	-27.5	27.4	N.A.	27.9	N.A.	-11.7	12.0	36.4
Bristol	23.9	25.7	120.2	8.6	26.6	37.7	N.A.	36.1	18.8	22.0
Cape Charles - Exmore	11.7	37.8	107.2	10.0	N.A.	23.7	N.A.	N.A.	-0.4	19.7
Charlottesville	9.9	40.2	339.8	16.6	N.A.	-5.6	N.A.	2.2	5.3	45.5
Danville	10.8	N.A.	184.3	11.3	-0.5	54.8	N.A.	-0.5	0.1	27.5
Franklin	2.1	N.A.	4.6	25.8	-4.6	19.5	N.A.	-1.5	-8.1	10.3
Fredericksburg	18.7	52.3	94.3	N.A.	10.8	22.4	N.A.	-11.0	18.8	58.6
Harrisonburg	9.0	19.2	1447.0	N.A.	4.3	1.5	N.A.	15.8	7.3	74.1
Lynchburg	18.5	46.9	-21.9	20.8	N.A.	41.6	N.A.	16.1	1.4	30.6
Newport News - Hampton	11.2	10.7	41.6	22.7	7.7	19.4	N.A.	10.4	6.1	20.9
Norfolk - Va. Beach - Portsmouth	12.1	-4.7	16.5	25.2	5.7	13.9	N.A.	10.0	18.2	32.1
Petersburg	3.2	19.7	-97.3	N.A.	-8.8	-3.2	N.A.	20.4	-1.8	40.4
Richmond	12.2	9.7	20.2	34.1	6.7	10.5	N.A.	16.6	6.6	35.0
Roanoke	14.1	41.8	-39.9	7.5	10.5	25.7	N.A.	6.7	6.8	43.4
Staunton	2.4	15.1	78.6	N.A.	-10.5	-8.1	N.A.	N.A.	6.0	27.7
Williamsburg	-3.6	-41.4	-55.2	16.0	N.A.	-8.7	N.A.	-3.2	4.1	27.6
Winchester	7.1	9.5	-77.7	13.0	2.0	20.2	N.A.	15.6	-1.1	35.1

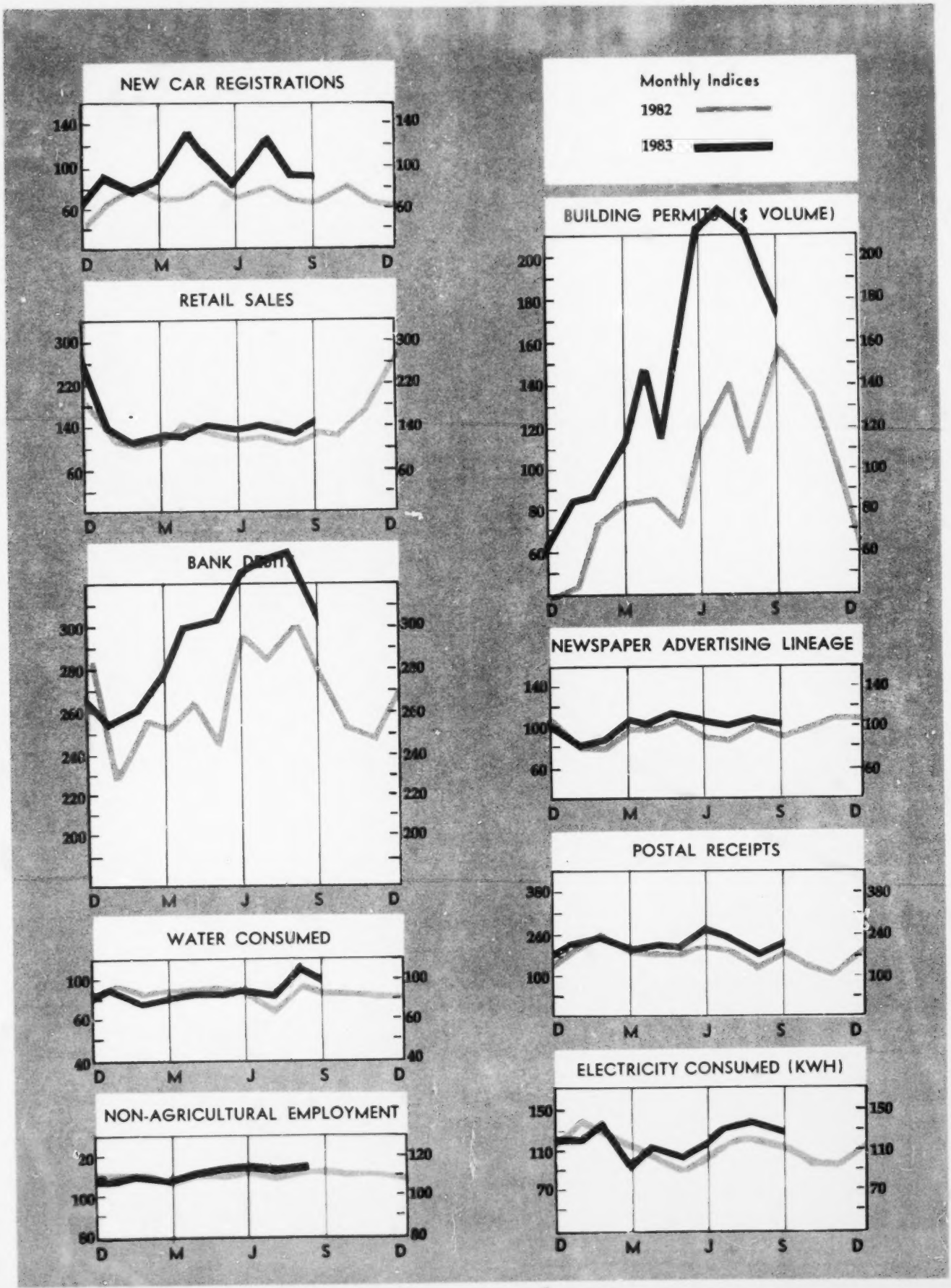
TABLE III — Percentage Change January - September from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan-Aug. RETAIL SALES
The State		17.0	52.1	5.3	6.6	23.0	N.A.	0.6	11.0	12.6
Alexandria	11.0	-3.3	174.7	4.7	N.A.	25.3	N.A.	2.0	16.1	16.2
Bristol	16.3	27.5	-1.6	-0.8	0.1	38.6	N.A.	19.7	15.2	4.0
Cape Charles - Exmore	8.0	18.2	160.1	1.6	N.A.	30.0	N.A.	N.A.	-0.7	10.6
Charlottesville	11.9	25.5	17.8	1.6	N.A.	29.8	N.A.	0.2	8.8	11.1
Danville	5.4	N.A.	1.9	6.6	11.5	51.5	N.A.	-6.5	-8.5	8.0
Franklin	0.6	N.A.	28.0	5.1	-0.6	11.3	N.A.	-4.6	-2.4	4.1
Fredericksburg	14.1	38.7	105.8	N.A.	10.4	26.4	N.A.	-27.3	16.9	19.5
Harrisonburg	9.8	23.4	239.8	N.A.	7.0	19.4	N.A.	5.6	4.3	48.8
Lynchburg	15.3	38.5	27.6	2.9	N.A.	41.3	N.A.	0.2	8.1	7.1
Newport News - Hampton	11.2	19.3	16.3	4.0	0.7	19.8	N.A.	5.9	13.4	10.8
Norfolk - Va. Beach - Portsmouth	13.8	27.2	54.8	4.2	8.5	23.9	N.A.	-0.9	15.7	14.9
Petersburg	13.7	32.4	-17.9	N.A.	5.3	36.5	N.A.	1.5	6.7	14.7
Richmond	10.8	13.0	0.9	12.1	2.8	19.0	N.A.	1.1	12.7	15.4
Roanoke	8.3	28.0	99.5	3.3	10.9	-6.1	N.A.	0.2	10.1	11.8
Staunton	7.8	22.8	27.4	N.A.	1.8	16.0	N.A.	N.A.	2.0	7.2
Williamsburg	1.3	-25.4	79.5	0.6	N.A.	29.7	N.A.	-6.2	3.5	14.9
Winchester	8.7	20.3	-8.4	5.5	16.2	30.6	N.A.	8.4	-3.1	19.7

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.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WHO MAKES THE THINGS?

(This article was written by Chessie Professor of Business Administration Marvin M. Stanley, who teaches Transportation Management and Business Policy in the Business School's MBA degree program.)

The author is taking this opportunity, in Lee Traywick's absence, to discuss something which is personally interesting, perhaps even a little disturbing. That is the relative position of goods-producing activity to services activity on the national economic scene.

We know that half of all personal consumption expenditures go to purchase services ranging from haircuts to medical care, from education to funerals, from legal advice to entertainment. The other half goes to pay for things. A word is needed here to avoid borrowing trouble. Those who provide such services are productive citizens in our vast economy. We need transportation, banking, advertising, educators, computer programmers, real estate brokers, and on and on and on. This is not to decry their importance.

Intriguing is the extent to which so many who do not produce physical goods depend upon the minority who turn out the things we all need and want. Let's look at some crude measurements which illustrate how so many seem to rely on so few.

In 1982 there were 84.7 million full-time equivalent employees in our domestic industries. (Equivalent means an adjustment to include both full-time and part-time employees.) On this total, 16.1 million (19 percent) were in government-related employment at all levels, and 68.6 million (81 percent) were in private enterprises. Within the total of 84.7 million there were 24.3 million (28.7 percent of the total) engaged in goods-producing activities of all kinds. But, only 18.2 million (21,5 percent) were involved in manufacture of durable or nondurable goods.

Those involved in manufacturing were not badly paid, with average annual salaries/wages of $21,075, 14.5 percent above the average annual compensation of $18,412 in all domestic private industries.

It may be interesting to take a look at the average 1982 wages and salaries of full-time equivalent employees in industry, ranked in broad categories from highest to lowest.

Mining	$28,518
Transportation and Public Utilities	24,700
Durable Goods Manufacture	22,288
Construction	21,835
Wholesale Trade	21,719
Non-durable Goods Manufacture	19,294
Finance, Insurance, Real Estate	18,921
Services	16,206
Retail Trade	12,351

Not surprisingly, those occupations requiring a particular technical expertise combined with some physical hazard tend to command the higher levels of wages and salaries.

The group of 24.3 million involved in goods producing activities of all kinds received $509.2 billion in personal income. This is 19.7 percent of total U.S. personal income of $2,578.6 billion in 1982.

About one in every four workers, including management, is involved in production of goods, including agriculture, mining and other extractive processes. About one in every five workers is involved in the manufacture of both industrial and consumer products we all need or want.

Approximately 75 to 80 percent, depending on which figure you use, of all workers depend upon a minority to turn out things which have given us such a high level of creature comfort and well-being. The total population of 232.1 million depends upon 24.3 million workers, 10.5 percent of all of us, about one in ten, to produce the things we need or want.

Let's turn for a moment to the old, classic economics definition of inflation as "too much money chasing too few good," with prices being bid up by consumers' needs for necessities or desire for discretionary items. Ours is the largest and most complex economy in the free world. The Federal Reserve System worries about the money supply, along with Milton Friedman. The President and the Congress worry about the budget deficit, as do some media commentators and informed taxpayers. The homeowner worries about property taxes. The wage-earner worries about social security deductions and income taxes. Perhaps there should be some concern somewhere about this dependence upon the minority of producers of things in our economy.

Over the fifteen year period 1967-1982 full-time equivalent employees in domestic industry grew from 67.9 million to 84.7 million, a compounded average annual growth rate of 1.5 percent. However, goods-producing workers, standing at 24.8 million in 1967 and 24.3 million in 1982, declined at a rate of 0.1 percent per year, and manufacturing workers fell from 19.5 million to 18.2 million, an average annual decline of 0.5 percent per year.

From 1967 through 1982 the importation of non-agricultural products grew from $22.3 billion to $228.5 billion, a compounded average annual growth rate of 16.8 percent per year. At the same time, our exports were rising, from $24.8 billion in 1967 to $170.5 billion in 1982, a compounded average annual growth rate of 13.7 percent per year. Of course, inflation in U.S. and other currencies was present. Note however, that in 1967 our non-agricultural product exports were 111 percent of comparable imports; in 1982 the exports were 75 percent of comparable imports.

Another side of the same coin: in 1982 this nation imported $228.5 billion in non-agricultural products. We hear a lot about oil importation, but that was only $59.4 billion. The remainder consisted of things, many of which we could have produced at home.

(This is the first of two parts examining the services emphasis in our national economy). MMS

Prepared by the Bureau of Business Research
THE COLLEGE OF WILLIAM AND MARY
Thomas A. Graves, Jr., *President*
School of Business Administration
Charles L. Quittmeyer, *Dean*
Bureau of Business Research
Leland E. Traywick, *Director*